



VERUS
MORTGAGE CAPITAL

CORRESPONDENT Non-AGENCY SELLER GUIDE



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CHAPTER 1 - DOING BUSINESS WITH VERUS

1.1 GENERAL INFORMATION (10/16/2023)

Verus Mortgage Capital through this seller guide is setting forth the loan purchase and eligibility guidelines applicable to each Seller correspondent entity (a “Seller”) that submits a residential mortgage loan to Verus for purchase under the Non-Agency Loan Program.

The purpose of this seller guide is to ensure each mortgage loan meets Verus quality standards. A loan meets Verus quality standards if the legal documents, borrower’s credit, income documentation, quality of the collateral (property), and compliance with all applicable laws are consistent with the loan program under the guide.

Verus acts solely as a secondary market purchaser of closed loans. All loans must be manually underwritten in accordance with this guide. Verus does not participate in any credit decision with respect to each mortgage loan it reviews for purchase. By locking a loan with, or submitting a loan to Verus for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit by Verus; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Verus wishes to or actually does purchase, or decline to purchase the loan; and (3) neither Verus, nor any of affiliates and its affiliates’ directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller’s credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Verus credit philosophy is intrinsic to our acquisition platform and includes a practical application of the guidelines when analyzing a loan for purchase. Our focus is on aligning the interest of the borrower and limiting layered risk through a combination of:

- Verified employment, income, assets, and reserves.
- Borrower credit and housing history.
- Value of collateral used to secure the loan.

Exceptions to published guidelines are considered on a case-by-case basis. Loans requiring an exception are reviewed holistically taking into account the risk factors noted above. Regardless of exception type, the loan should demonstrate strong compensating factors to support granting an exception. All exception requests must be submitted by the Seller to Verus by completing the required information on the Exception Request screen in LMS Connect. Our decision to grant or reject any exception request is based on our role as a potential investor in any related mortgage loan. This decision is not intended to serve as advice regarding any decision to extend credit.

Verus’ decision to purchase or not purchase any mortgage loan will be based on a full credit, compliance and property review conducted by an independent, third-party due diligence firm and legal collateral review by our custodian. Our decision to purchase any mortgage loan will be based on the results of such due diligence review and our own internal policies and procedures.

The Seller and any third-party originator or broker engaged by the Seller must fully comply with all federal, state, and local laws applicable to the origination and sale of mortgage loans (“Applicable Law”). It is the Seller’s sole responsibility to ensure that all loans it originates comply with Applicable Law.

The Seller Guide in Chapter 1 and the Mortgage Loan Purchase Agreement, as amended periodically, together govern the business relationship, and constitute the entire agreement between Verus and the Seller. Verus may suspend or terminate its relationship with the Seller upon any failure to meet the requirements under this Guide.

1.2 IMPORTANT ADDRESSES, CONTACT INFORMATION AND HOURS OF OPERATION (04/03/2023)

See [Verus Contact Form](#) for current phone and contact information.

1.2.1 HOLIDAYS (04/03/2023)

Verus observes the following federal holidays and the additional date referenced in the below table unless otherwise indicated. On federal holidays, banks and the US Postal service do not operate, and wire transfers are not available.

The federally recognized holidays at the time of publication of this Guide are:

<i>New Year's Day</i>	<i>Juneteenth</i>	<i>Veteran's Day*</i>
<i>Martin Luther King, Jr. Day</i>	<i>Independence Day</i>	<i>Thanksgiving Day</i>
<i>President's Day</i>	<i>Labor Day</i>	<i>Christmas Day</i>
<i>Memorial Day</i>	<i>Columbus Day*</i>	

In addition to the above Federal Holidays Verus will be closed on the following days:
Friday after Thanksgiving

*Verus is open on the indicated federal holidays, however, the lock window is closed.

The Lock Desk follows the holiday schedule published by the Securities Industry and Financial Markets Association (SIFMA). In addition to being closed on the above referenced federal holidays, the lock desk will close early based upon the SIFMA holiday schedule, please use this link for the annually updated schedule <https://www.sifma.org/resources/general/holiday-schedule/>

1.3 SELLER ELIGIBILITY (05/03/2021)

This Eligibility section outlines requirements for becoming a Verus approved Seller and for maintaining that eligibility in Good Standing. Verus has engaged Comerence® to streamline the process. All Sellers with an NMLS license must submit their applications using Comerence®.

1.3.1 APPROVAL OVERVIEW

Verus Mortgage Capital will review the applicant's information and request for approval to determine eligibility. At the discretion of Verus, eligibility standards may be waived or modified; however, the subsequent enforcement by Verus will not be affected.

To become an approved Seller to Verus Mortgage Capital, the applicant must:

- Subscribe/be set up in Comergence®.
- Receive an invitation initiated by Verus through Comergence®.
- Satisfy all Verus' eligibility requirements.
- Accurately and fully complete all required applications and provide all necessary documentation.
- Execute the applicable Mortgage Loan Purchase Agreement (MLPA), in addition to other agreements, documents, forms or requirements that may be applicable to the approval requested.

1.3.1.1 COMERGENCE®

Comergence® is an online due diligence screening firm used by Verus. The Comergence® portal makes applying to Verus easier and safer, using an electronic application to streamline the approval process. Comergence® provides a proprietary combination of background due diligence with ongoing compliance surveillance, all of which makes the entire management process easier, safer, and completely secure for all parties. NMLS registered mortgage loan originator companies can use the streamlined process to apply to Verus easily and securely. Once you are approved by Verus, the profile is kept current and available for easy recertification with Verus.

1.3.1.2 MINIMUM REQUIREMENTS

All applicants must:

- Be a duly organized, valid entity and in good standing under the laws of the jurisdiction of the organization.
- Possess and maintain all required licenses necessary to conduct business in each jurisdiction in which loans are originated.
- Be in compliance with all applicable Federal, State, and Local regulations and laws.
- Have been actively engaged in residential mortgage lending as a Correspondent Seller for a minimum of two (2) years preceding the submission of an application to become an approved Seller with Verus.
- Have at least five (5) years of substantial residential mortgage lending experience by the company owners or key company decision makers. In cases where the company has not been actively engaged in residential mortgage lending as a Correspondent Seller for at least five (5) years, the company owners or key company decision makers must have at least seven (7) years of substantial residential mortgage lending experience.
- Provide the resumes for the company President, CEO, CFO, COO, Head of Production, Chief Credit Officer or Head of Underwriting, and Head of Secondary Marketing. The experience level for each of these positions must be acceptable to Verus.
- Not have any bankruptcies, foreclosures, or unsatisfied tax liens by the principals within the last four (4) years.
- Have a minimum audited HUD-adjusted net worth of \$1,500,000.
- Provide two (2) years of fiscal year-end statements prepared by an independent auditing firm.
- Have Operational Risk Results at an acceptable level.
- Maintain Errors and Omissions (E&O) insurance and a fidelity bond in a form and with an insurance carrier that: (1) is acceptable to Verus, (2) covers investor losses with a minimum coverage of \$300,000 for each

loss, and (3) has a deductible of no more than \$100,000 or 5% of the coverage amount per occurrence. Verus must be named as the loss payee.

- Have an acceptable Quality Control plan in compliance with FNMA, FHLMC, FHA, USDA, and Verus, as applicable. This Quality Control plan and management reports must be maintained in accordance with agency guidelines and provided to Verus upon request.
- Maintain warehouse line(s) of credit or a funding source acceptable to Verus.
- Resolve or satisfactorily explain to Verus any issues arising from the Comerence® review. If the issue cannot be resolved, Verus will determine the materiality of the issue.
- Notify Verus of the compliance tool (e.g., ComplianceEase) and Fraud Tool Manager used by the company.
- Not be listed on any exclusionary lists provided by the GSEs or HUD and must not be under investigation or suspended by any government agency.
- Not to be listed on any public or non-public commercial watch list or database that reports cases of misrepresentation or failure to honor contractual obligations.

1.3.2 PROCESS FOR APPROVAL

Upon receipt of a Comerence® invitation from Verus, please complete the application process. This will include completing and/or updating the online application, completing a questionnaire, and uploading specific documents as outlined by the Comerence® System.

Sellers will have 60 days to complete the three steps in Comerence®. Upon completion of the application by the seller, Verus will be notified that the application is ready for processing. During the review process, Verus will contact the applicant and discuss any missing items, clarify any questions, and request any additional items needed for review.

The following sections outline the various documents that may be applicable to the application process and can be provided by uploading them in the Comerence® System.

1.3.2.1 FINANCIALS (04/03/2023)

Financial statements include the following:

- Last two (2) years of audited financials.
- Year-to-date (YTD) and most recent month's interim financials: Profit and Loss Statement and Balance Sheet.
- On or after March 31 each year, the Seller must provide audited financials for the previous year. If prior to March 31, unaudited financials may be submitted.

1.3.2.2 GENERAL LIST OF DOCUMENTS (04/03/2023)

- Legal entity creation documents
- Corporate Organization chart including names of persons in key roles
- Corporate Resolution evidencing signatory authority
- IRS form W-9

- IT Disaster Recovery and Business Continuity Plan
- Current Insurance policies evidencing coverage such as Errors and Omissions (E&O), Fidelity, Directors, and Officers Liability (D&O), Professional Liability, Cyber Security and Mortgage Bankers
- Investor Score cards (most recent available)
- Policies and procedures for approval, on-boarding, and monitoring of brokers/correspondents if applicable
- Resumes: Executive Management (CEO, CFO, COO, etc.) and Department Heads (e.g., Operations, Secondary, Underwriting, Production, Compliance/QC)
- Wiring Instructions for Warehouse banks providing funding for Non-Agency and Jumbo loans including phone number to verify:
 - Additional supporting documentation that may be necessary based on responses on the application-questionnaire should be uploaded as part of the optional documents within Comerence®. Examples include but not limited to:
 - Operational Policies and Procedures
 - Litigation supporting documentation
 - Explanations to questionnaire responses
 - List of loans held for investment or repurchases
 - Approval Letters (Fannie Mae®, Freddie Mac, Ginnie Mae, FHA, VA, USDA) as applicable
- These documents will be reviewed and assessed for eligibility. Based on review of applicant information provided Verus may request additional documentation.
- Upon final review and decision, the applicant will be notified in writing of the decision, any follow up documentation needed and the contract (MLPA and associated addenda) for final signature.
- After approval, the Seller will be contacted by their Transaction Manager and Sales Partner to schedule a Welcome Call to review programs, processes, policies, systems demonstrations, and necessary contacts within Verus to begin the registration, locking and loan delivery process.
 - During the initial Seller set-up, Sellers will be prompted for a list of users who need access to the Verus portal and website.
 - If sellers use a pricing engine, they will also contact Verus directly for authorization to add seller for pricing information.

1.3.3 SELLER RESPONSIBILITY

1.3.3.1 MAINTAINING ELIGIBILITY

Once approved to be a Seller to Verus Mortgage, the Seller must continue to meet the eligibility requirements herein to maintain its eligibility and approval to participate.

1.3.3.2 NOTIFICATION OF SIGNIFICANT CHANGES

A Seller must provide written notice of any contemplated change in its organization, including copies of any filings with, or approvals from, its regulators, new licenses, as applicable. Verus requires written notice immediately, but no later than seven (7) calendar days, after the finalization of significant changes relating to the Seller that include, but are not limited to:

- Any mergers, consolidations, or reorganizations.

- Any direct or indirect material change in ownership.
 - An indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller.
- Any change in corporate name.
- Any change from a federal charter to a state charter (or vice versa) if the Seller is a savings and loan association (S&L) or a bank.
- A materially adverse change in financial condition.
- Any change in authority evidenced by the Corporate Resolution or in banking relationships, including warehouse lines of credit/wire instructions.
- Any change in Agency approval.
- Any change in fiscal year end-date.
- Any change in management or key personnel or persons who oversee the key Seller departments.
- Use of a new or different fictitious name.
- Any changes to systems, servicer, etc.
- Any change to active and approved Users of Verus specific systems.
- Any changes to warehouse lender relationships or settlement wire instructions.

1.3.3.3 GOOD STANDING (2/26/2024)

All approved Sellers must remain in "Good Standing" with Verus to maintain the required eligibility to sell loans. Failure to remain in Good Standing could result in Verus terminating the Agreement with cause.

To remain an approved Seller in Good Standing, the Seller must:

- Actively participate in the products and programs described in the Seller Guide.
- Be in full compliance with all terms of the Agreements and this Seller Guide, which is a contractual document by reference in the Agreements.
- Complete and submit within required timeframes all requested documents as part of the Recertification process.

1.3.3.4 RECERTIFICATION (2/26/2024)

Verus consistently monitors the performance of each Seller. In addition to performance monitoring, Verus will perform a comprehensive review of each Seller's financial, industry, credit, and overall performance on a continual basis. Sellers will receive a notification that recertification is due through Comerence® and requesting the submission of an updated application and questionnaire as well as a minimum set of documents.

Within 60 days of the request for Renewal information, the Seller must submit via Comerence® the following documentation:

- Most recent full year Audited financial statements with all appropriate schedules and attachments.
- Current year to date, unaudited financial statements no older than four (4) months.
- Updated/current organization chart.
- Resumes on any new management-position changes since the last approval.
- Copy of the renewal of Fidelity Bond and E&O Insurance.

- Re-confirm active and approved contacts to Verus specific systems.
- Any other additional certifications or information requested by Verus.

Upon completion of the submission through Comergence®, Verus will complete the recertification analysis and provide written confirmation of Seller's recertification result.

1.3.4 WIRE INSTRUCTIONS (04/03/2023)

Wiring Instructions for each of the Seller's warehouse bank(s) must be on file with Verus and independently verified prior to the purchase of any loan. As these may change during the relationship it is important to provide current/updated information for the bailee letter(s) to prevent any delays in future purchases, see [Section 1.8.11 Bailee Letter](#) for details. The following bank information is required.

- Bank Name
- Bank Address
- Bank WIRE Routing number (ABA)
- Bank Account number
- Bank Contact information (i.e., name, phone number, email)

1.4 REPRESENTATIONS, WARRANTIES & COVENANTS

In addition to the Representations, Warranties & Covenants outlined in the MLPA, Verus will publish updates to any required changes through the Seller Guide in this section.

Verus does not originate or directly service mortgage loans and acts solely as a secondary market purchaser. Verus does not participate in any credit decision with respect to each mortgage loan it reviews for purchase. By locking a loan with, or submitting a loan to Verus for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Verus wishes to or actually does purchase, or declines to purchase the loan; and (3) neither Verus, nor any of affiliates and its affiliates' directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller's credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Sellers are always responsible for confirming the accuracy of the information in the system, even when transferring files directly from an outside source. Any discrepancies uncovered in the due diligence process or post-purchase will affect pricing up to and including the repurchase of the sold loan by the Seller, plus any expenses incurred. Please take the time to verify that all information is correct and that all required documentation has been provided. Verus will not be responsible for any errors made by the Seller.

1.4.1 STATE LICENSING

The Seller must comply with all applicable state license and registration requirements in connection with mortgage loan origination and any other related business activities, which include without limitation:

- Ensuring that each loan officer/originator/broker involved in the origination of loans delivered to Verus is appropriately licensed.
- Maintaining appropriate organizational licensure based on the type and location of the activities it engages in.

1.4.2 QUALITY CONTROL

Verus applies its Quality Control Policy and Procedures to loans originated by Sellers, and then reports findings as appropriate to Sellers for their use in the prevention of similar occurrences. Verus requires that Sellers have in place and use Quality Control Policies and Procedures and perform regular reviews to ensure the quality of loans submitted to Verus for underwriting and purchase.

If any irregularities or discrepancies are discovered during Verus' routine review, Verus expands the scope of the quality control reviews on the Seller's loans to ensure that all problem areas are identified.

1.4.3 FAIR LENDING POLICY

Verus strictly complies with all applicable federal, state, and local requirements related to fair lending, including the Equal Credit Opportunity Act and the Fair Housing Act (together, the "Fair Lending Requirements"). Accordingly, in connection with its decision to purchase loans, Verus will not discriminate on any prohibited basis. Verus will also not knowingly purchase loans from Sellers engaged in practices that violate Fair Lending Requirements. To the extent a Seller is found to be engaging in practices that may violate Fair Lending Requirements, Verus may terminate its contractual relationship with such Seller or take any other action that it deems appropriate.

1.4.4 STATE AND FEDERAL HIGH-COST LOANS (2/26/2024)

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, with the exception of loans that comply with N.Y. Banking Law § 6-M (New York Subprime), 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.

1.4.5 REGULATORY COMPLIANCE

Sellers and any of their sub-servicers will be in compliance with all federal, state, and local laws including without limitation, all statutes, regulations, ordinances, administrative rules, and orders that have the effect of law, and judicial rulings and opinions, that apply to any of their origination, selling, or servicing practices or other business practices and related technology. The Seller must comply with any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth in lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, mortgage insurance cancellation, debt collection, credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering, terrorist activity, ability to repay, state community and marital property, or the enforcement of any of the terms of the mortgage. Each Seller will establish appropriate facilities and processes for monitoring applicable legal developments and implementing appropriate measures to stay in compliance with applicable law and will be able to demonstrate satisfactory performance of its legal compliance upon Verus' request. The Seller may be required to repurchase a mortgage loan that is in breach of the requirements of this section at any time.

1.4.6 ABILITY TO REPAY (ATR)

All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors based on available information in the mortgage loan file using reliable third-party records:

- Income or assets used to repay the loan.
- Employment status.
- Monthly mortgage payment on the subject loan (fully indexed, fully amortizing).
- Monthly payments for any simultaneous loans secured by the subject property.
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents.
- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations.
- Monthly DTI or residual income.
- Credit history.

1.4.7 HOME MORTGAGE DISCLOSURE ACT (HMDA)

The Seller is required to comply with the Home Mortgage Disclosure Act (HMDA), including without limitation all data collection, recordkeeping, and reporting requirements in connection with the Seller's credit decision on each loan file delivered to Verus.

1.4.8 FEE POLICY

Fees charged by the Seller must be in compliance with all applicable requirements, including those governing permissible fees, maximum fee amounts, timing, and disclosures.

1.4.9 PREPAYMENT PENALTY (04/25/2022)

Prepayment penalties are only eligible for investment properties under the Non-Agency program. Prepayment penalties are not eligible in states that prohibit penalties by state law. Verus also does not recognize penalties in select states where the permitted structure does not provide an economic benefit.

1.4.10 REPURCHASES (07/15/2024)

The repurchase price for loans subject to a Repurchase Obligation pursuant to the Mortgage Loan Purchase Agreement (MLPA) shall be as follows, unless otherwise determined by Verus:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the repurchase is made, **plus**
- All expenses, including but not limited to: reasonable fees and expenses of counsel incurred by Verus in enforcing the Seller's obligation to repurchase the loan and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Verus for the loan, **plus**
- Any unreimbursed advances of taxes, insurance, or property preservation made by Verus with regard to the loan as of the date of repurchase, **less**
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

Upon any such repurchase of loans by the Seller, Verus shall endorse the promissory note (without recourse) and shall assign any security interest (without recourse and in recordable form) to the Seller. If the mortgaged property securing the loan has been acquired by Verus by agreement with the owner of record or by foreclosure to mitigate its loss, then the repurchase price pursuant to the Agreement, notwithstanding the amount of Verus' credit bid, shall be:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, **plus**
- All costs and expenses, including but not limited to: fees, costs, and expenses incurred by Verus as owner of the property, reasonable fees and expenses of counsel incurred by Verus in connection with the foreclosure or acquisition and in enforcing the Seller's Repurchase Obligations, and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Verus with regard to the Loan, **plus**

- Any unreimbursed advances of taxes, insurance, or property preservation made by Verus with regard to the loan as of the date of repurchase, **plus**
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller, **less**
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

If the mortgaged property securing the loan has been sold at foreclosure and purchased by a third party, the amount that the Seller shall pay Verus to fulfill its Repurchase Obligation pursuant to the Agreement is as follows:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, **plus**
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, **plus**
- All costs and expenses, including but not limited to: reasonable fees and expenses of counsel, incurred by Verus in enforcing the Seller's Repurchase Obligations and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, **plus**
- The original servicing release premium paid by Verus for the loan, **plus**
- Any unreimbursed advances of taxes or insurance made by Verus with regard to the loan as of the date of repurchase, **plus**
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller, **less**
- The net proceeds of the foreclosure sale (sale price minus costs and expenses, including but not limited to reasonable fees and expenses of counsel, incurred by Verus in connection with the foreclosure sale), **less**
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

Repurchased loans should be service transferred to the Seller or their sub-servicer within 30-45 days. The Verus servicing team will contact you to make arrangements for the servicing transfer. Loans should be transferred within 30 but no longer than 45 days after the repurchase date. If a longer transfer period is needed the monthly servicing fee may be assessed to the Repurchaser.

1.4.11 EARLY PAYMENT DEFAULT (EPD)

Early Payment Default (EPD) loans that become delinquent after the loan sale date to Verus are subject to repurchase by the Seller pursuant to the EPD language in the loan Seller's Mortgage Loan Purchase Agreement.

1.5 COMMITMENT PRICING OVERVIEW (05/03/2021)

The Verus Mortgage Capital Lock Policy outlines the terms by which Sellers can commit loans for purchase to Verus. When Sellers lock a loan with Verus, the interest rate, pricing, and terms are protected through the lock expiration. Sellers are required to deliver a complete closed loan package before the expiration of the rate lock. This includes the three-day right of rescission required on refinance transactions. Any loan that closes or disburses after the expiration date may be subject to a relock at worst-case pricing.

1.5.1 LOCK POLICY – FLOW DELIVERY (12/12/2022)

Verus offers Best Efforts locks and provides interest rate protection for the purpose of pricing a mortgage application for the borrowers. Once Sellers lock a loan with Verus, they are obligated to make the best professional effort to close the loan. Once a loan is closed under Verus' Best Efforts lock program, delivery becomes mandatory.

The Lock Desk hours of operation are:	8:30 am to 5:30 pm (CT)
The Lock Window hours are:	9:00 am to 7:00 pm (CT)
The e-mail address for the Lock Desk is:	LockDesk@verusmc.com
The phone number for the Lock Desk is:	(833) 862-3863 Press 1 for Correspondent, then 2 for Lock Desk

Lock Window Closures: In addition to published [Verus holidays](#), the Verus lock window will be closed on any day in which SIFMA (Securities Industry and Financial Markets) recommends that the bond market be closed. Verus also reserves the right to close the lock window in alignment with any recommended early closing. See <https://www.sifma.org/resources/general/holiday-schedule/#US> for further information.

Funding Holidays: In addition to the published [Verus holidays](#), fundings will not be available on any day on which the Federal Reserve has declared a bank holiday. See <https://www.frb services.org/about/holiday-schedules> for further information.

1.5.1.1 REGISTRATION, RATE LOCK, AND LOCK CONFIRMATION

Sellers register and lock loans in LMS Connect. Rate locks are priced based on the rates in effect at the time a lock is confirmed. The system displays the confirmed lock, which may be printed or downloaded. Sellers must review the confirmation upon receipt and contact the Lock Desk regarding any discrepancies. All rate locks are borrower and property specific.

A loan may be locked at any point in the loan process. However, we strongly advise that the Seller's loan is locked with Verus after the seller has issued underwriting approval.

See [Section 1.5.3.2 - Locking Loans](#) for details regarding locking loans with Verus.

Note: Confirmation of a rate lock does not constitute a decision to purchase by Verus. All loans must meet Verus lending criteria and the product matrix eligibility guidelines.

1.5.1.2 PIPELINE MANAGEMENT

- Loans which have been registered for 90 days or more and have not been submitted for pre-close or post-close review will be withdrawn.
- Loans that were submitted for a pre-close review 90 – 120 days ago and have not been locked will be reviewed and subject to withdrawal.

- Loans that were submitted for a pre-close review more than 120 days ago and have not been locked will be withdrawn.
- Locked loans which are about to expire are identified in the “expiring soon” section of LMS Connect.
- As an aid for managing pipeline activity, dashboard information can be exported to excel for each view within LMS Connect. See Seller Portal User Guide at <https://verusmc.com/resources/>.
- If loans registered and locked greater than 90 days have funded by the Seller but not delivered to Verus, they may be subject to a pair-off fee.

1.5.1.3 CANCELLATIONS

Sellers must notify the Verus Lock Desk as soon as possible when a locked loan is canceled along with the reason for cancellation. Failure to maintain an acceptable pull through may impact Seller eligibility.

1.5.1.4 PREPARING TO CLOSE LOANS

All loans must be registered (pre-close/non-del review only) or locked (all post-close submission) before Verus reviews the file. All loans must have a valid unexpired lock when the closed loan file is delivered for purchase.

1.5.2 LOCK DESK AND PRICING - FLOW

1.5.2.1 DAILY PRICING

Rate sheets are distributed daily, generally by 9:00 am Central Time, Monday through Friday. Verus reserves the right to change rates at any time. Rates will be published in the Portal, provided to the various pricing engines, and distributed via email. Each rate sheet will provide the effective date and time.

1.5.2.2 INTRA-DAY PRICE CHANGES

Verus reserves the right to change pricing without notice at any time, which may also include after-market close re-prices. Verus Secondary Marketing makes its best effort to notify Sellers of new pricing when there is an intra-day price change; however, Sellers will receive the pricing that is effective when loans are locked on the portal. Sellers are responsible for verifying the lock confirmation form as soon as it is received and must contact the Lock Desk immediately if there is a discrepancy. Intra-day price changes will be emailed and published in the system.

1.5.3 RATE LOCK PROGRAMS - FLOW

Verus offers the Sellers competitive pricing. Specific information regarding rate locks, extensions, and renegotiations is provided as follows:

1.5.3.1 GENERAL RATE LOCK INFORMATION

General information regarding the available duration of rate locks, cost and length of extensions, adjusters, and all matters related to pricing are found on the daily rate sheet. At the time of writing, Verus offers 30, 45, and 60-day initial locks and 5, 10, 15, 20, and 30-day extensions. Sellers should rely on the most recent rate sheet for all

pricing and rate extension information (or the rate sheet at the time of lock for extensions and worst-case pricing). Information on the rate sheet will take precedence over the information in this Guide.

1.5.3.2 LOCKING LOANS (2/26/2024)

- Verus maintains a Seller Portal <https://verus-lmsconnect.streetsolutions.com/> for locking and delivery of loans for purchase. Rate lock confirmations and “Purchase Advice” details are also accessed through this portal. See Seller Portal User Guide at <https://verusmc.com/resources/>.
- Loans are registered in the Portal by entering data through the user interface or by importing a FNMA 3.2 file to the system. Data required for pricing and locking varies by program and users are prompted to enter the required information. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 75 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing or (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worse-case pricing. If the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.
- Property address changes are only permitted on registrations. Property address changes on locked loans must be made by the Verus Lock Desk.
- Loans Moving Out of Locked Program:
 - Prime Ascent Plus
 - Any loan locked under Prime Ascent Plus, subsequently determined to be ineligible under Plus, but eligible for other Verus Programs, or any loan locked under another program but deemed eligible for Prime Ascent Plus, will no longer be subject to worse case pricing. The loan will incur a price adjustment of -0.125 as it moves to the new program. Pricing will be based on the date of the original lock.
 - All Other Verus Programs
 - Loans locked under all other Verus Programs, subsequently determined to be ineligible for the locked Program, but eligible for other Verus Programs, will be priced based on the initial rate lock date.

1.5.3.3 RATE EXTENSIONS (05/02/2022)

- Extension fees are posted on the Verus Seller rate sheet.
- Lock extensions are available for active locks. Expired locks may not be extended; they can only be relocked.
- Locks may be extended for 5, 10, 15, 20, or 30 days.
- Two (2) lock extensions may be requested; however, the cumulative lock extension maximum may not exceed 45 days from the initial expiration date. The cumulative lock period including extensions may not exceed 75 days. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 75 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing or (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worst-case pricing. If the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.
- Lock extensions are not available for delivered files.

1.5.3.4 RATE LOCK RENEGOTIATIONS

Only active, unexpired locks are eligible for renegotiations:

- Rate renegotiations are awarded on a case-by-case basis only.
- Renegotiations must be demonstrated to be for the benefit of the borrower only, either by: (1) increasing credit, or (2) reducing the rate.
- Only one (1) lock renegotiation per loan is allowed. Expiration terms are not amended.
- Once a lock has been renegotiated, the delivery becomes mandatory without price improvement.
- The loan must be moving to “Clear to Close” or greater status within 24 hours and must close within 15 days.
- Secondary Marketing approval is required for renegotiation on relocked loans.

1.5.3.5 RATE RELOCKS

- Any lock that has expired may be relocked for 15 days as follows:
 - The loan is re-priced using worse case pricing described below and charged a 25-basis point relock fee.
 - Any fees, including extension costs, will remain in effect.
- Worse case pricing is determined by comparing the rate sheet from the lock date to the rate sheet from the relock date (current rates):
 - For rate-based programs, worse case pricing is determined by using the rate sheet with the higher base rate.
 - For price-based programs, worse case pricing is determined by using the rate sheet with the lower price.
- The loan will be relocked for 15 days. If additional days are needed, contact the Verus Lock Desk to request an extension. Standard fees will apply.
- Executing a relock is an irreversible transaction and results in mandatory delivery subject to a pair off fee.
- Any lock that has expired or has been cancelled by the Seller is eligible for current market pricing after 45 days.

1.5.3.6 PAIR-OFF FEES (04/25/2022)

If a pair-off fee must be assessed, the fee will be calculated as the greater of:

- The market difference, or
 - An admin fee of 0.25% multiplied by the locked loan amount.

If applicable, any third-party diligence costs incurred by Verus must be reimbursed by the seller.

1.5.3.7 RATE LOCKS AND DELIVERY (07/15/2024)

- All files must be closed, delivered, and rescission completed by the lock expiration date.
- Locks with weekend or holiday expiration dates expire on the first business day following the stated expiration date; this becomes the effective expiration date.
- If the file is not delivered by the lock expiration date, the loan will be subject to a pricing change.

- The original Note must be received within three (3) business days after the lock expiration date.
- Verus reserves the right to return a closed loan file and its associated collateral at any time for poor quality and/or inconsistency with program guidelines.
- Verus reserves the right to price expired loans outside of the matrix above based on market conditions.
- Verus reserves the right to assess a pair-off fee if a closed loan is not purchased by Verus.
- Verus only purchases non-seasoned loans. Verus will not accept a Best Efforts lock on any loan where the lock date is >10 days from the note date. Any loans seasoned more than 10 days must be presented to the capital markets desk and may be subject to worse pricing than Best Efforts.
- Verus publishes a maximum price and a minimum price on the daily rate sheets. Loans that price below the minimum are subject to additional price adjustments at Verus' discretion. Contact the lock desk for additional information.
- Sellers will be responsible for clearing all credit, compliance, collateral, or any other due diligence conditions by the earlier of (a) 20 calendar days after the lock expiration date, or (b) 30 calendar days after the date of the initial review results are released via the Verus Seller Portal (the "Cure Period Expiration Date").
- Any loan with open due diligence condition(s) as of the Cure Period Expiration Date will be subject to a 2.5 bp per calendar day reduction in price assessed from the Cure Period Expiration Date up to and including the final cure date. To the extent conditions are not cleared by close of business on the 15th calendar day following the Cure Period Expiration Date, the purchaser may, at its option, reprice the loan to current market or cancel the commitment.

1.5.4 BULK BIDS PROCESS (04/03/2023)

- Requests for bids on bulk loan packages can be submitted to Verus directly via e-mail at Capmarkets@invictuscp.com. Your account executive can assist with this process.
- Our capital markets team can provide the desired bid tape format if needed.
- Once evaluated, bulk bid pricing will be provided directly by our capital markets team or through your account executive. Call (833) 862-3863 Press 1 for Correspondent, then 2 for Lock Desk.
- When a bid is accepted, the bulk transaction manager will reach out with an e-mail message containing next steps (including but not limited to collateral and file delivery timelines, etc.).
- Seller origination guides are to be reviewed and approved by investor prior to issuance of the trade confirmation.
- Verus conducted credit diligence will begin once the seller uploads imaged credit and closing documents to the Verus system.
 - If the Seller initiates the review with the third-party diligence provider (i.e., Reliance Letter):
 - A copy of the statement of work between the seller and third-party diligence provider must be provided upon investor's request.
 - Mortgage loan schedule and the final credit package, including all documents used to clear initial diligence findings/conditions reported during initial review prior to the purchase of the loan.
- Collateral diligence review will be completed upon delivery to custodian. Please reference [Section 1.8.1 - Collateral Delivery](#) for collateral delivery and shipping instruction form. See [Collateral Shipping Instructions Form](#).
- If the Seller initiates the review with the third-party diligence provider (i.e., Reliance Letter), the third-party diligence provider must include the final credit package upon completion of diligence.

- Generally, all loans in a bulk transaction should be purchased as one settlement. Occasionally it may be necessary to trail fund loans, but VMC limits trail funding to one (1) per bulk transaction.
- When loans have cleared collateral and Credit, they can be approved and submitted for purchase.
- At this point, we will reach out for all information necessary to accommodate the purchase including the current pay history.
- Funds are wired according to the bailee letter direction for each individual loan in the pool.
- We will provide the wire confirmation information once funds have been disbursed.

1.6 LOAN DOCUMENTATION

1.6.1 NOTE AND SECURITY INSTRUMENT FORMS

For consumer loan transactions, the current version of the Uniform Residential Loan Application (URLA) should be used. For business purpose loan transactions, the seller may utilize the URLA or similar application. The minimum information required on a business purpose application includes: guarantor name, guarantor current address, social security number, and date of birth.

Available Fannie Mae® security instruments, notes, riders/addenda, and special purpose documents can be used for owner-occupied or investment property loan documentation. The Fannie Mae® forms are available at <https://singlefamily.fanniemae.com/selling-and-servicing-guide-forms-and-communications>. In instances when Fannie Mae® doesn't offer current documentation (e.g., interest only), a document vendor, such as Doc Magic or Ellie Mae (ICE) should be used to obtain forms. The note should reflect a late charge assessment if payment is not received by the 15th day of each month. The late charge should equal the maximum allowed under state law not to exceed 5%.

For business purpose loans (Investment Property Only), Verus offers a business purpose document set consisting of: Note, Loan Agreement, Personal Guaranty, Prepayment Addendum and Prepayment Rider. These documents can be accessed via the Verus website: verusmc.com/correspondent-login/. The use of this business purpose document set or a similar commercial style closing document is required for cross-collateral loans.

1.6.2 HYBRID CLOSING (04/25/2022)

VMC will purchase loans using a Hybrid closing method. The definition of Hybrid Closing is as follows:

- E-signed documents may be delivered for all documents in the file with the following exceptions:
 - Original wet signed note and associated endorsement/allonge.
- The copy of the mortgage/deed of trust can be digitally signed provided that the jurisdiction allows for the digital closing and recording. The digital portion of the closing includes the use of a remote notary service.
- The system used for the remote online notarization must meet the following minimum standards:
 - At least two-factor identity authentication, using a combination of at least two of the following factors:
 - Remote presentation of a government-issued photo ID that has a signature.
 - Credential analysis.
 - Identity-proofing (i.e., knowledge-based authentication).

If the hybrid closing is used, the collateral submission at the time of post-close submission must include the proof of digital signatures.

VMC cannot purchase loans closed with an Enote and Evault, also known as a full E-Closing.

1.7 PRE-CLOSE REVIEW (10/16/2023)

1.7.1 PRE-CLOSE REVIEW OPTIONS (2/26/2024)

Verus provides sellers with two pre-close review options, Non-Delegated and Delegated. Refer to [Section 1.8.1.4 - Fees](#) of this guide for applicable fees. By locking a loan with or submitting a loan file to Verus for review, the Seller acknowledges and agrees that: (1) any pre-close review made by Verus is not a decision or recommendation to extend or deny credit, and (2) the Seller is the party solely responsible for making any decision to extend credit.

Verus Mortgage Capital reserves the right to charge any applicable fees associated with any loan that is credit reviewed before closing and not delivered to Verus for purchase. Examples of fees that may be charged are Pre-Close Review (Non-Delegated), Pre-Close Review (Delegated), Pair Off Fees, or others identified in the seller guide or daily rate sheets.

1.7.1.1 NON-DELEGATED PRE-CLOSE REVIEW (07/15/2024)

1.7.1.1.1 PURCHASE ELIGIBILITY

The Purchase Eligibility Review is subject to the Mortgage Loan Purchase Agreement, as amended from time to time, between Verus and Seller (as those parties are defined therein). The eligibility review represents the results of a credit review based exclusively on the materials submitted by the Seller to determine if the loan meets the applicable eligibility guidelines. Such credit review excludes a determination of whether the loan complies with applicable origination and compliance requirements. Verus reserves the right to modify or withdraw the eligibility review if any of the information contained in the materials provided by the Seller is or becomes inaccurate or incomplete, including any changes in the borrower's credit, employment or any other factor used to determine the borrower's ability to repay the loan.

The eligibility determination provided is not a decision or recommendation to extend or deny credit. The Seller is solely responsible for making any decision to extend or deny credit. The Seller acknowledges that it will comply with all applicable regulatory requirements, including the Home Mortgage Disclosure Act (HMDA) and the Equal Credit Opportunity Act (ECOA), in connection with its credit decision.

Any eligibility review will be subject to the following conditions precedent to Verus' purchase of the loan: 1) the loan is closed in conformance with the eligibility review, including without limitation satisfying all credit conditions cited; 2) to the extent any material purchase eligibility conditions are cited by a TPR in post-close diligence that are unrelated to Verus review of the credit file, the Seller has or will clear or remediate each condition to the satisfaction of Verus in its sole discretion; and 3) The Seller is responsible for ensuring there is no fraud, and Verus has not determined, in its reasonable discretion, that any aspect of the credit file appears fraudulent.

1.7.1.1.2 LOAN SUBMISSIONS

Non-Delegated loan submissions are to be processed by the Seller and must include documentation found on the [Pre-Close Submission Checklist – Non-Delegated](#) form. Verus will review the file submission for eligibility according to the program and doc type. Any deficiencies will be identified and communicated to the seller to resolve. Files that do not meet the minimum documentation requirements will be placed in suspense status and the Seller will be issued a list of missing documents. Any loan placed in a suspense status may be subject to extended review timelines. Multiple loans to a single borrower/guarantor will be reviewed as a single submission and will have extended review timelines.

- Verus will not review or determine if the loan complies with federal, state, or local laws, constitutional provisions, regulations, or ordinances. The Seller is responsible for delivering a compliant loan for post-close purchase review.
- Verus will provide an initial [Eligibility Review Report](#) with a review status and applicable credit eligibility conditions. Sellers are required to satisfy all open prior-to-close (PTC) eligibility conditions. Failure to satisfy open PTC conditions may impact loan purchase eligibility.
- Verus will provide a final [Eligibility Review Report](#) with a review status once all PTC eligibility conditions are satisfied or waived.
- At Time of Close (ATC) conditions listed on the final Eligibility Review Report must be addressed by the Seller. Any required documentation must be submitted with the post-close purchase review file.
- DSCR Cross-Collateral loans are not eligible for a Non-Delegated review. Sellers may request a pre-close review via the Delegated pre-close process.

The Seller is responsible for ensuring the following are complete and accurate for a loan application and a registered or locked loan.

- | | | |
|------------------------|-----------------|----------------------|
| • Program and Doc Type | • Loan Purpose | • Loan Amount |
| • Credit Score | • Occupancy | • Product |
| • Property Address | • Property Type | • Sales Price |
| • Appraised Value | • LTV/CLTV | • Borrower/Guarantor |
| • Entity | • Income | • Assets/Reserves |
| • DTI/DSCR | | |

1.7.1.1.3 ELIGIBILITY REVIEW

Verus will assess the documentation provided by the Seller meets the criteria as defined by the Correspondent Non-Agency Seller Guide and applicable matrices, as follows:

Application

- The application (FNMA Form 1003 or similar loan application) is substantially completed including mailing address if subject property is investment and phone numbers
- All known borrower-owned properties are disclosed on the Real Estate Owned Section of the form, as required by the program
- Borrower's employment history (Not required for DSCR)
- Application to reflect borrower assets and liabilities, as required by the program

- Application to include loan terms, occupancy, purpose, and reason for any cash out if applicable
- Borrower Eligibility: Borrowers must be eligible for the program

Credit

- Tri-merge credit report must be provided for each borrower/guarantor, as required by the program
 - Borrower personal data must be consistent with the application and loan type
 - Valid decision score and minimum tradelines to be determined
 - Housing and mortgage related payment history to be confirmed
 - Bankruptcy, Foreclosure, Short-sale &/or Deed-In-Lieu dates, if provided on the credit report
 - Forbearance, Modification, or Deferral dated, if provided on the credit report
- Sufficient documentation to establish seasoning for derogatory accounts not reported on the credit report. (e.g., judgments, collections, forbearance, modification, deferral)
- Liabilities to be included in the Debt-to-Income ratio to fulfill Ability to Repay (ATR) guidance, see [Section 1.4.6 Ability to Repay \(ATR\)](#).
- Third-party fraud report is required for all loans, see [Section 2.5.3.1 – Fraud Report](#).

Employment and Income

- Employment history to meet program requirements
- Income used to qualify the loan was calculated in accordance with guidelines for the applicable program
- Maximum DTI does not exceed program guidelines
- Residual income meets minimum requirements of applicable program
- Documentation verifying employment and income will be deemed acceptable if it is a third-party document as required by applicable program guidelines, see [Pre-Close Submission Checklist – Non-Delegated](#).

Assets and Reserves

- Documentation to verify assets for down payment and closing costs, see [Pre-Close Submission Checklist – Non-Delegated](#)
- Minimum reserve requirements to meet program guidelines

Insurance and Taxes

- Hazard Insurance to evidence the minimum dwelling coverage requirement is met, see [Section 1.8.2.7.1 – Hazard Insurance Requirements](#).
- Flood Insurance to evidence the minimum dwelling coverage requirement is met, see [Section 1.8.2.9 – Flood Insurance](#).
- Property Tax calculation for the real estate tax payment applies as follows:
 - DTI loans: See [Section 2.7.2 Debt-To-Income \(DTI\) Ratio](#).
 - DSCR loans: See [Section 2.8.2.2 - Debt Service Coverage Ratio](#).

Preliminary Title Report

- Transaction vesting must be eligible
- Current vesting to be verified
 - If the transaction is a purchase, the property seller must be the owner of record
 - If the transaction is a refinance, the borrower must be the owner of record
- Schedule B exceptions:
 - Assessments, covenants, conditions, and restrictions must be acceptable
 - HOA lien issues to be identified, addressed, and resolved
 - Other exceptions that impede the lien priority must be addressed
- For refinance transactions, the following are required:
 - Prior mortgage liens, judgment liens including but not limited to state and federal tax liens, and environmental liens are to be documented, addressed, and resolved
 - Foreclosures and bankruptcies reported on Schedule B to be documented, addressed, and resolved
 - Delinquent real estate taxes that are not liens must be paid

Appraisal

Primary valuation and secondary valuation products are to be provided, as required by the program.

- First Liens, see [Section 2.9.1 – Appraisals](#).
- Closed End Seconds, see [Section 3.16.1 – Appraisals](#).
- Home Equity Lines of Credit (HELOC), see [Section 4.18.1 – Appraisals](#).
- FEMA Declared Disasters with Individual Assistance designation, a Post Disaster Inspection (PDI) is required, see program specific disaster requirements as needed.

See [Appraisal Review Guide](#) when evaluating the appraisal product, as applicable.

1.7.1.2 DELEGATED PRE-CLOSE REVIEW (07/15/2024)

Delegated sellers may request a pre-close eligibility review to be conducted by a Third-Party Review Firm (TPR). The Seller is responsible for uploading a fully processed, documented, and credit decisioned loan package to LMS Connect for the pre-close eligibility review. The TPR eligibility review results will be posted in LMS Connect for the Seller to review. The Seller must address all eligibility review conditions in the post-close file submission.

See the [Pre-Close Submission Checklist - Delegated](#) for a list of documents needed for the pre-close eligibility review.

1.8 POST CLOSE FILE RECOVERY (08/29/2022)

1.8.1 COLLATERAL DELIVERY (BULK AND FLOW) (04/25/2022)

CUSTODIAN: COMPUTERSHARE - ALL LOANS	
Custodian Name & Physical Address: Computershare Trust Company, N.A. Attn: CMBS-INV 1055 10 th Ave SE Minneapolis, MN 55414	Notification of Transfer: Please notify the Transaction Manager and the Collateral Acquisition Team with the anticipated date of the transfers, the number of loan files to be shipped, and the tracking information.

Shipping instructions: The following are also located on the [Collateral Shipping Instructions](#) form:

- Documents must be placed in a legal-size file folder.
- Labels must be affixed to the upper right-hand corner of the legal-size pocket file folder, reflecting the Loan # from the data tape that was issued to the Custodian, as well as the Previous Loan # (if any) and the Borrower name(s).
- Loan files must be placed in sequential, numerical loan number order inside the archive boxes.
- A packing list, consisting of a list of the loans and the box number, must be included in each box.
- Each box must be marked on the outside to identify its contents as follows:
INV-Initial / Seller / Funding Date / Box 1 of __, Ln # 100000 - 100200.

1.8.1.1 BAILEE LETTER

When delivering original promissory notes, the Seller must provide either a Bailee Letter or [Security Release Form](#).

1.8.1.1.1 BAILEE LETTER REQUIREMENTS

- Must accompany the original promissory note delivered to the custodian. See [1.8.1.2 - Initial Collateral Document Delivery](#).
- A bailment arrangement is only established if a bailee letter is delivered with the original promissory note.
- Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Verus for wire account setup of the loan's purchase proceeds.
- Does not require execution by Verus and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement.
- Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s).
- Should contain the following information:
 - Seller's name.
 - Either the Seller or Verus loan number.
 - Borrower name.
 - Note amount.
 - Wire instructions.

1.8.1.1.2 SECURITY RELEASE FORM REQUIREMENTS

- Seller (generally Financial Institutions) fund loans without a warehouse line arrangement.
- [Security Release Form](#) must be executed by an authorized signer of the Seller.
- Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type Credit Package.
- Must sufficiently describe the subject loan so Verus can identify the correct mortgage loan(s).
- Must be delivered to Verus within 24 hours after delivery of the closed loan file.
- Should contain the following information:
 - Seller's name.
 - Either the Seller or Verus loan number.
 - Borrower's name.
 - Note amount.
 - Wiring or payment instructions.

1.8.1.2 INITIAL COLLATERAL DOCUMENT DELIVERY (04/03/2023)

A Closed Loan delivery package, containing the credit and closed loan document images, is required to be submitted to Verus, prior to shipping the original Note, Allonge, and supporting collateral file documents to the custodian. Collateral delivery to the custodian is due the next business day following an imaged closed loan file submission to Verus, but no later than 3 days following the lock expiration. Sellers who use a warehouse line for funding must arrange for prompt delivery of the original Note and Bailee Letter to the Custodian.

Custodian Stacking & Packaging Instructions for [Collateral Shipping Instructions](#):

- Place collateral documents in a legal-size file folder - one (1) for each loan. Ensure the following information is reflected on the upper right-hand corner of each file folder:
 - Verus Loan ID.
 - Seller Loan ID.
 - Borrower name(s).
- Place loan files in sequential loan number order inside shipping package/box.
- Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan.
- Mark the exterior of each box to identify its contents as follows:
 - **INVC-Initial**/Seller Name/ Box 1 of __, Ln # 100000– 100200.
- Stack documents in the following order:
 - Bailee Letter (or Security Release Form if applicable) - **DO NOT STAPLE OR CLIP TO NOTE.**
 - Original Note with an original signature, fully executed.
 - Original allonge, endorsing the Note from Your Company Name to Blank (See [Allonge – Sample](#)).
 - Original intervening endorsements, if appl, for an unbroken chain of title from originator to seller.
 - If not a MERS MOM loan:
 - Original Unrecorded Assignment from Seller to Blank in fully executed and recordable form.
 - Original Executed Power of Attorney, or a copy of the original sent for recordation (if applicable) for new originations, or if seasoned, the recorded version.
 - For loans vested in a business entity as borrower, the original Personal Guaranty and Loan Agreement, if applicable.

1.8.1.2.1 CEMA DOCUMENTATION (10/16/2023)

Current Transaction

- Original Consolidated Note, with original allonge/endorsement from seller to blank.
- Consolidation Extension and Modification Agreement (CEMA) with all exhibits:
 - Exhibit A - List of all previous and current security instruments and assignments, stamped "Exhibit A".
 - Exhibit B - Legal description (matches title and security instrument, as well as previous transaction), stamped "Exhibit B".
 - Exhibit C - Copy of Consolidated Note, stamped "Exhibit C".
 - Exhibit D - Copy of Consolidated Mortgage, stamped "Exhibit D".
 - If newly originated; copy unrecorded.
 - If Seasoned =/+ 120 days: recorded original or recorded copy
 - If not MERS MOM, Original Unrecorded Assignment from Seller to Blank in fully executed and recordable form.
- Assignment from previous transaction to new transaction:
- If newly originated; copy unrecorded.
- If Seasoned =/+ 120 days: recorded original or recorded copy.
- Original Gap Note, if applicable, with original allonge/endorsement from seller to blank.
- Gap Mortgage, if applicable:
 - If newly originated; copy unrecorded.
 - If Seasoned =/+ 120 days: recorded original or recorded copy.

1.8.1.2.2 REQUIREMENTS FOR NEWLY ORIGINATED LOANS (<120 DAYS FROM NOTE DATE)

A copy of the unrecorded mortgage and title commitment are required for loan sale/purchase settlement eligibility. Deliver the preliminary documents to Verus, as follows:

- Upload images via LMS Connect (delivery portal) using document type 'Credit Package Document.'
- Delivery of the recorded/final versions to the custodian is required within 180 days of the note date.
- See section [1.8.3.4 - Final Document Delivery](#) instructions for details.

1.8.1.2.3 REQUIREMENTS FOR SEASONED LOANS (=>120 DAYS FROM NOTE DATE) (10/16/2023)

The recorded mortgage, final title policy, and original or recorded copy of the loan modification, if applicable are required for loan sale/purchase settlement eligibility. Deliver the final documents to Verus as follows:

- Upload images via LMS Connect (delivery portal) using document type 'Credit Package Document'.
- Ship documents to custodian, Computershare Trust Company, N.A., either with initial collateral delivery or as purchase clearing conditions.
- If loan modification is out for recording, a copy of the unrecorded document should be provided; recorded document becomes a trailing (final) document.

1.8.1.2.4 COLLATERAL EXCEPTIONS

Sellers are required to deliver a complete and accurate Collateral package. Collateral exceptions (if any) must be resolved prior to funding, but no later than the third day following the expiration of the rate lock. See Section [1.5.3.7 - Rate Locks and Delivery](#) for the full details.

1.8.1.3 FLOW - POST CLOSE FILE DELIVERY

1.8.1.3.1 SUBMISSION OF IMAGED PACKAGE

To ensure that we have all the necessary documentation needed to review your file effectively and efficiently, we have compiled a stacking order and checklist that should be used to confirm that your loan packages contain all the required documentation. Although the checklist is a representation of typically required documentation, the list is not exhaustive. It is the Seller's responsibility to provide all applicable documentation needed to confirm compliance with guidelines and all regulatory requirements (both state and federal) and to render a sound credit decision. Specific steps to submit imaged documents to LMS can be found on the Verus web site www.verusmc.com under Training Videos.

The submission checklist, with preferred stacking order, should be included with the submitted file, and can be found in the [Closed Loan Delivery Checklist](#) at the end of this Delivery Guide.

Once a closed loan file has been received and reviewed by a due diligence partner, the Seller will receive notification that either the file is acceptable, or a list of missing documents/conditions to be addressed will be provided.

1.8.1.3.2 CONDITION CLEARING REQUIREMENTS (04/25/2022)

If a loan is deemed to be eligible, the Post-Close Review Summary may or may not include conditions. If conditions are present, the Seller is required to resolve the condition(s). See section [1.5.3.7 – Rate Locks and Delivery](#) for required time periods to clear conditions. The Seller will receive an updated Review Summary once all conditions have been cleared.

1.8.1.4 FEES (07/15/2024)

Fees will be deducted at the time of loan funding and will be reflected on the Purchase Advice. Unpaid fees associated with loans not purchased may be netted from future funding.

FEES	
Pre-Close Review (Delegated)	\$375
Pre-Close Review (Non-Delegated)	\$600
Pre-Close Review Loan Balance > \$2.0M (Non-Delegated)	\$700
Funding Fee	\$625
Funding Fee Loan Balance > \$2.0M	\$700
Reliance Letter Release Fee	\$50
Flood Cert/Life of Loan Fee	\$17.50
Overdue MERS Transfer Fee	\$75
Non-MERS Transfer Fee	\$75
Overdue Final Document Fee (Not delivered within 90 days of purchase)	\$75

TAX SERVICE FEE	
Loan Balance	Fee
< 999,999	\$99
1,000,000 – 1,099,999	\$109
1,100,000 – 1,199,999	\$119
1,200,000 – 1,299,999	\$129
1,300,000 – 1,399,999	\$139
1,400,000 – 1,499,999	\$149
\$10 for every \$100,000 increase in loan balance	

CROSS COLLATERAL LOAN FEES			
Pre-Close Fee		Funding Fee	
1-5 properties	\$500	1-5 properties	\$575
6-10 properties	\$750	6-10 properties	\$1,500
11-20 properties	\$1,000	11-20 properties	\$2,000
21-25 properties	\$1,250	21-25 properties	\$3,000
COLLECTION OF FEES ON UNDELIVERED LOANS			
<p>Verus Mortgage Capital reserves the right to charge any applicable fees associated with any loan that is credit reviewed before closing, closed, and then not delivered to Verus for purchase. Examples of fees that may be charged are Underwriting Fees, Review Fees, Pair Off Fees or others identified in the Seller Guide or daily rate sheets.</p>			

1.8.2 GENERAL POST CLOSE FILE DELIVERY REQUIREMENTS (ALL DELIVERIES) (05/03/2021)

1.8.2.1 AUTOMATED CLEARING HOUSE (ACH) PAYMENTS

Sellers are strongly encouraged to use the Verus Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower, see [Automatic Payment Authorization \(ACH\) Form](#). Borrowers may select a draft date within the grace period stated on the Note.

- Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.
- Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.
- Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.
- A copy of the ACH enrollment form must be included in the closed loan submission package to Verus.

1.8.2.2 BORROWER CONTACT CONSENT FORM (04/25/2022)

Sellers are required to provide accurate borrower contact information to Verus. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Verus Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Verus.

Click here to see the [Borrower Contact Consent Form](#).

1.8.2.3 INTEREST CREDIT (04/03/2023)

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

1.8.2.4 PRINCIPAL CURTAILMENT (12/13/2021)

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

1.8.2.5 COMPLIANCE REPORT

Closed consumer purpose loans must include a compliance report (e.g., ComplianceEase, Mavent) that documents compliance with state and federal high-cost / points and fees tests.

1.8.2.6 ASSUMABILITY (04/25/2022)

Fixed Rate loans are not assumable. ARM loans with assumability language are acceptable if the assumption is at the lender's discretion. In any case, the wording in the Note and Closing Disclosure must match.

1.8.2.7 PROPERTY INSURANCE (2/26/2024)

A Property (Hazard) insurance policy is required for all loans.

1.8.2.7.1 HAZARD INSURANCE REQUIREMENTS (2/26/2024)

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage 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 replacement cost basis are also unacceptable.

Extended coverage must include, at a minimum: wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that normally are included under an extended coverage endorsement are not acceptable. Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The hazard insurance coverage should be equal to the lesser of:

- Replacement Cost Estimator
 - Provided from the property insurer, **or**
 - Provided from a 3rd party source (i.e., CoreLogic)
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage(s)

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

For condominiums, see [Section 2.9.10.5 – Condominium Insurance Requirements](#).

1.8.2.8 COMMERCIAL GENERAL LIABILITY INSURANCE: 2-8 MIXED USE PROPERTIES (10/16/2023)

Commercial General Liability Insurance for 2-8 Mixed Use Properties is required in addition to Hazard Insurance.

Commercial General Liability Insurance blanket policy against claims for personal injury, bodily injury, death, or property damage occurring upon, in or about any property, such insurance to be:

- Per Occurrence Minimum Coverage: \$1,000,000.
- Aggregate Coverage: \$2,000,000.
- At least as broad as Insurance Services Office's (ISO) policy form CG 00 01.

1.8.2.9 FLOOD INSURANCE (08/29/2022)

The seller must ensure that the property securing the mortgage loan is adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in:

- A Special Flood Hazard Area (SFHA), or
- A Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). See below for additional information.

The seller/servicer must determine whether or not the property is located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter "A" or "V" are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the "principal structure" is the primary residential structure on the property securing the mortgage loan.

IF...	THEN FLOOD INSURANCE IS...
any part of the principal structure is located in an SFHA,	required.
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	required for the residential detached structure.
the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	not required on either structure.
the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	not required on either structure.

The minimum amount of flood insurance required for first-lien mortgages is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements,
- The maximum insurance available through the NFIP, or
- The unpaid principal balance (UPB) of the loan (or loan amount at the time of origination).

Minimum coverage must be equal to the dwelling coverage for hazard insurance, subject to the following:

- **1-4 Unit Properties:** If dwelling coverage for hazard insurance is greater than \$250,000 then flood coverage must be \$250,000 as this is the maximum allowed per FEMA.
- **5+ Units Properties:** If dwelling coverage for hazard insurance is greater than \$500,000 then flood coverage must be \$500,000 as this is the maximum allowed per FEMA.

1.8.2.9.1 ACCEPTABLE FLOOD INSURANCE POLICIES

The flood insurance policy must be one of the following:

- A standard policy issued under the NFIP; or
- A policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.

1.8.2.9.2 FLOOD INSURANCE ESCROW REQUIREMENTS (07/15/2024)

- Escrow accounts for flood insurance premiums are required for all loans secured by residential improved real estate.
 - Business purpose loans are exempt from this escrow requirement

1.8.2.10 TITLE POLICY REQUIREMENTS (07/15/2024)

The title insurer and final title policy must conform to Fannie Mae® requirements as published in the most recent Fannie Mae Selling Guide. Access to the Fannie Mae Selling Guide is available at [Title Insurance](#) | [Fannie Mae](#).

Each loan purchased by Verus Mortgage Capital must include a preliminary title report or a final policy if available at the time of purchase. If the file contains a preliminary title report, it must indicate a final policy will be issued upon payment of the premium.

By delivering a preliminary title report to Verus, the Seller represents and warrants that the loan will be covered by the required final policy as of the Note date.

1.8.2.10.1 TERMS OF COVERAGE (07/15/2024)

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. The title insurance policy must be updated with Its Successors and/or Assigns ISAOA language. When the borrower is an Entity, the title insurance policy must provide protection regarding whether the signatories had the authority to validly execute the mortgage document. The policy should be written on one of the following forms:

- The 2021 American Land Title Association (ALTA) standard form.
- An ALTA short form if it provides coverage equivalent to the 2021 ALTA standard form.

- In states in which standard ALTA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides the same coverage as the equivalent ALTA form.

1.8.2.10.2 EFFECTIVE DATE OF COVERAGE (07/15/2024)

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2021 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2021 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.

1.8.2.10.3 AMOUNT OF COVERAGE

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

1.8.2.10.4 MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS) (10/16/2023)

If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for the Lender named in the security instrument and the note, and the Lender's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the Lender and Lender's successors and assigns. However, under no circumstances may MERS be named as the insured of a title policy.

1.8.2.10.5 TITLE ENDORSEMENTS (07/15/2024)

The following title endorsements are required:

- Adjustable-Rate Mortgage endorsement: ALTA Endorsement 6-06
- Environmental protection lien endorsement: ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage

References are to the ALTA 2021 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection to Verus. As an alternative to endorsements, the requisite protections may be incorporated into the policy.

1.8.2.10.6 CHAIN OF TITLE

All files must contain a 24-month title history. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24-months.

1.8.2.10.7 CONDOMINIUM OR PLANNED UNIT DEVELOPMENTS (PUD)

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.

If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately, the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Verus by insuring:

- That the mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)
- Against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- That the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)
- That the mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- That real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole.
- That the owner of a PUD unit is a member of the homeowners' association, and that the membership is transferable if the unit is sold.

1.8.2.10.8 INTER VIVOS REVOCABLE TRUST (2/26/2024)

A Seller delivering a loan that has an [Inter Vivos Revocable Trust](#) as mortgagor is responsible for all of the following:

- Determining that both the trust and the mortgage satisfy eligibility criteria and documentation requirements.
- Determining under the laws of the states in which it does business that it can originate mortgages to validly created inter vivos revocable trusts.
- Completing a review of the mortgage documentation, applicable state law, and the trust documents to ensure that title insurers provide full title coverage without exceptions for the trust or the trustees for inter vivos revocable trusts in that state.

1.8.2.10.9 TITLE EXCEPTIONS

Verus will not purchase or securitize a mortgage secured by property that has an unacceptable title impediment, particularly unpaid real estate taxes and survey exceptions.

If surveys are not commonly required in particular jurisdictions, the Seller must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

1.8.2.10.10 MINOR IMPEDIMENTS TO TITLE

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which Verus considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

1.8.2.10.11 SECOND LIENS 10/16/2023

Owner and Encumbrance Report is allowed for loan amounts less than \$250,000 for the following:

- Closed End Second Lien, see [Section 3.17.4 – Title Requirements](#)
- Home Equity Line of Credit (HELOC), see [Section 4.19.5 – Title Requirements](#)

1.8.2.11 SOLAR PANELS (2/26/2024)

1.8.2.11.1 PROPERTIES WITH SOLAR PANELS

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

Property 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), our standard requirements apply (for example, appraisal, insurance, and title).

Sellers are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, sellers may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. The seller must also review the title report 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 the seller obtains a UCC “personal property” search 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.

Sellers are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that 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.

1.8.2.11.2 REQUIREMENTS FOR PROPERTIES WITH SOLAR PANELS THAT ARE 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*.

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan
 - Include the debt obligation in the debt-to-income ratio
- 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)
- 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 150-06 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 real 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.

- Obtain and review the credit report, title report, appraisal, related promissory note and related security agreement that reflect the terms of the secured loan
 - Include the debt obligation in the debt-to-income ratio
- 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/CLTV ratio calculation
- 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, transaction will be considered cash out.

1.8.2.11.3 REQUIREMENTS FOR 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).

- Seller must obtain and review copies of the lease or power purchase agreement.
- 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/CLTV 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 value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
- 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 seller 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 seller or assignee has the discretion to:
 - Terminate the lease/agreement and require 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.

1.8.3 PURCHASING AND FUNDING (08/10/2022)

1.8.3.1 LOAN PURCHASE PROCEDURES (08/29/2022)

Verus requires a review of the closed loan file prior to purchase. The review consists of three (3) parts: Credit, Collateral and Payment History. The credit review and approval are completed by a third-party provider. The collateral package is reviewed by our document custodian. The payment history is reviewed for accuracy and confirmation that the loan is current. Loan funding occurs after the following:

- The credit file has been reviewed and all conditions have been cleared.
- All collateral documents have been reviewed and all conditions have been cleared.
- A review of the payment history unpaid principal balance, next payment due date and escrow impounds has been performed by Verus.

Upon completion of these three (3) steps, a Purchase Advice will be generated and delivered to the Seller.

1.8.3.2 PURCHASE ADVICE

Verus will purchase a scheduled principal balance. The first payment date due to Verus and the Servicing Transfer Date will be specified on the Purchase Advice.

Interest to be credited or debited at the time of loan purchase is based upon a 30/360 calendar.

Verus will provide a notification when a Loan Purchase Advice is ready for review and approval.

The Seller must review the Purchase Advice in its entirety within LMS Connect. If there are any questions about the Purchase Advice, reply to the Verus notification or contact the Verus Lock Desk.

The Seller must approve the Purchase Advice in LMS Connect. Upon approval Verus will fund the loan. The daily cutoff for wiring funds is 10:00am central time, approvals must be in LMS Connect prior to 10:00am to receive funds that day. Any loans which are not approved by the 10:00am central time cut off will be updated to reflect a settlement date of the next business day and must be approved by 10:00am central time on the following business day.

Once the funds are received, the Seller should reconcile the wire amount to ensure that the appropriate funds were received. If a discrepancy is identified, the Seller must notify the Lock Desk within five (5) days of the loan purchase. The Seller must provide documentation supporting the discrepancy.

1.8.3.3 WIRE INSTRUCTIONS

Wiring Instructions for each of the Seller's warehouse bank must be on file with Verus prior to funding.

1.8.3.4 FINAL DOCUMENT DELIVERY (04/03/2023)

Sellers are responsible for the submission of recorded documents, in final form and free of exceptions, to the Custodian after the loan has been purchased.

CUSTODIAN: COMPUTERSHARE - ALL LOANS	
Custodian Name & Physical Address: Computershare Trust Company, N.A. ATTN: CMBS-INV 1055 10 th Ave SE Minneapolis, MN 55414	

Verus requires the submission of final documents within 180 days of the note date but no later than 180 days after the purchase date by Verus.

Monthly final-document status reports will be delivered to Sellers via LMS Connect to aid in final document management and document error resolution. It is the Seller's responsibility to reconcile the final-document status reports to its delivery records for any discrepancies. When communicating discrepancies for Verus research, email finaldocs@verusmc.com and include the Verus loan ID, Seller loan ID, shipping date, shipping address, and courier tracking number.

1.8.3.4.1 FINAL DOCUMENTATION (10/16/2023)

The following documents must be submitted as final documents on all loans:

- Recorded Security Instrument and all applicable riders.
- Title Policy, with all endorsements
 - Fees for title policy endorsements are the responsibility of the Seller.
 - Owner and Encumbrance Report for Closed End Second Lien as applicable.

- Other documents as may be applicable, some examples:
 - Recorded Power of Attorney.
 - Recorded UCC.

Verus reserves the right to assess fees for documents not delivered to the Custodian, or document errors not resolved, as set forth in the Mortgage Loan Purchase Agreement (MLPA). Any documents not provided, or errors not resolved within this timeframe will be addressed by Verus through other means at a cost to the Seller of \$75 per document. Verus reserves the right to demand a repurchase of the loan according to the terms of the MLPA.

Preparing Final Documents for Delivery:

- Include a cover sheet with the Seller and Verus Loan IDs for each final document or use a manifest to identify each document and its corresponding Seller and Verus Loan IDs. When using a manifest, the documents must be stacked in the same order as indicated on the manifest.
- Individual documents with multiple pages may be stapled or clipped together.
 - Do **NOT** staple/clip multiple documents together.
- Mark the exterior of the package(s)/box(es) to identify its contents as follows:

Custodian Delivery Address:
 Computershare Trust Company, N.A.
 Attn: CMBS-INVC
 1055 10th Ave SE
 Minneapolis, MN 55414

CBMS-INVC-Final Docs / Seller Name / Box 1 of __, Ln # 100000 - 100200.

1.8.3.5 POST-PURCHASE ADJUSTMENTS

It is the Seller's responsibility to review the Purchase Advice as soon as possible to ensure that the net funding is correct. Following the sale of a loan to Verus, if there is a discrepancy between the loan data in the system and the Seller's loan records, a post-purchase adjustment may be required.

To initiate a post-purchase adjustment for a whole loan:

STEP	ACTION
1	Research the discrepancy and request a post-purchase adjustment via email to the Verus lock desk. Requests exceeding 90 days will not be considered for post-purchase pricing adjustments.
2	Assemble documentation to support the post-purchase adjustment. Documentation should include:
	• Detailed explanation of the discrepancy and the corrective action requested.
	• Copy of the funding notification ("Purchase Advice").
	• Additional documentation supporting your request, as applicable (i.e., HUD-1, etc.).
3	Securely submit the request form and supporting documentation to LockDesk@verusmc.com . Verus will research the request and provide a response within one (1) business week of receipt.

1.8.3.5.1 WHEN A POST-PURCHASE ADJUSTMENT OCCURS

- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is lower than the purchase price, the difference in price is billed to the Seller.
- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is higher than the purchase price, the difference in price is remitted to the Seller.

1.8.3.6 MERS REGISTRATION AND TRANSFER (07/15/2024)

The MERS MIN must be properly registered on the MERS® System. The Seller must be listed as the current Servicer and Investor at least 24 hours prior to a Verus purchase and provide a copy of the mortgage loan registration screen in the closing/legal package.

The Seller is responsible for initiating the MERS® Transfer of Rights to Verus, within seven (7) calendar days of the purchase date (i.e., purchase settlement), as follows:

- Investor: **1013178**
- Servicer: **1013178**

Sellers may contact Verus' MERS desk for additional assistance at MERS@verusmc.com.

Note: Verus reserves the right to charge an administrative fee of \$75.00 for any loan not transferred accurately within seven (7) calendar days.

1.9 SERVICING

1.9.1 SERVICING TRANSFER INSTRUCTIONS (05/03/2021)

1.9.1.1 INTERIM SERVICING RESPONSIBILITIES (10/16/2023)

Loans sold to Verus ("Purchaser") require that the Seller sub-service the loans for the interim period between the Verus purchase date and the servicing transfer date. In accordance with the Mortgage Loan Purchase Agreement (MLPA), the Seller shall service and administer the mortgage loans on behalf of the Purchaser from the purchase date until the designated Servicing Transfer Date, as specified by Verus.

The interim servicing obligations of the Seller shall include payment collection and escrow disbursements as well as responding to servicing-related activities which include 1098 reporting for payments collected and calculation of payoff statements during the interim servicing period.

1.9.1.2 SERVICING TRANSFER CONTACTS (10/16/2023)

The Verus Servicing Team will assist Sellers throughout the servicing transfer process.

VERUS MORTGAGE CAPITAL - SERVICING TEAM CONTACT INFORMATION	
Karen Brechlin Servicing Manager	651-352-4414 Kbrechlin@verusmc.com
Melynda Aliffi Servicing Transaction Manager	612-225-0370 Maliffi@verusmc.com
Susan Sessom Servicing Transaction Manager	(651) 352-4407 Ssessom@verusmc.com
Adrienne Cobb Servicing Transaction Manager	(612) 225-0451 Acobb@verusmc.com
Goal Chang Servicing Transaction Manager	(612) 225-0452 Gchang@verusmc.com
Servicing Support Contacts	651-352-4400 ServicingTransfers@verusmc.com

1.9.1.3 SERVICING TRANSFER GENERAL INFORMATION (08/29/2022)

Servicing transfers occur on the 1st and 15th of each month. A bulk pool may have a negotiated transfer date which will be mutually agreed upon at the time of purchase.

Loans will transfer to Shellpoint Mortgage Servicing.

- The New Servicer name and new loan number are listed on the Verus Purchase Advice.
- The servicing transfer date is listed on the Verus Purchase Advice.

The transfer process will comply with all RESPA laws and Consumer Financial Protection Bureau (CFPB) best practices.

1.9.1.4 SERVICING TRANSFER PROCESS (04/25/2022)

The servicing transfer process will follow one of these two methods:

- Servicer to Servicer transfer
- Verus Assisted transfer

The best transfer method will be mutually agreed upon at the time of purchase.

Undue delays in servicing transfer caused by the seller or seller's agent may subject the loans to repricing to current market conditions or an extension fee.

1.9.1.5 SERVICER TO SERVICER TRANSFERS (07/15/2024)

Servicer to Servicer transfers are the Verus preferred method.

If at the time of purchase the loans are currently serviced by a sub-servicer (“Current Servicer”), that servicer is responsible for providing loan boarding data, loan document images, and an updated payment history to the Verus sub-servicer (“New Servicer”). Specific servicing transfer instructions will be provided by the New Servicer. The Seller must ensure that their transfer agreement with the sub-servicer stipulates delivery of both preliminary and final data files.

If the loans are currently serviced by the Seller, and the Seller’s servicing system can provide the required servicing data and images to the new servicer, then the Servicer-to-Servicer transfer process will apply.

Verus will coordinate the transfer process with the Seller, the Current Servicer, and the New Servicer.

TRANSFER TIMELINE	TRANSFER DELIVERABLE
Prior to Sale of First Loan to Verus	<ul style="list-style-type: none"> Verus Servicing Team and Seller have an initial servicing call
Loan Purchase Date	<ul style="list-style-type: none"> Verus purchases loan from Seller The Purchase Advice is generated. The Purchase Advice identifies the New Servicer Name, New Loan Number and Servicing Transfer Date The Current Servicer continues their interim servicing responsibilities
7 Days After the Purchase Date	<ul style="list-style-type: none"> The Current Servicer initiates the MERS transfer
20 Days Prior to Transfer Date	<ul style="list-style-type: none"> The Current Servicer submits a sample Goodbye Letter to Verus and the New Servicer The Current Servicer provides preliminary servicing transfer data and images to the New Servicer
15 Days Prior to Transfer Date	<ul style="list-style-type: none"> The Current Servicer mails the approved Goodbye Letter
Servicing Transfer Date	<ul style="list-style-type: none"> The Current Servicer provides final servicing transfer data and images to the New Servicer The Current Servicer sends escrow funds to the New Servicer The New Servicer begins their servicing responsibilities
Within 15 Days After Transfer Date	<ul style="list-style-type: none"> The New Servicer mails their Welcome Letter

1.9.1.5.1 SERVICER TO SERVICER TRANSFERS – ESCROW (07/15/2024)

Escrow funds must be forwarded to the New Servicer no later than 5 calendar days after the servicing transfer date.

The Current Servicer is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the Verus purchase date. The Current Servicer must take advantage of any early payment discounts.

The Current Servicer will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer in a timely manner.

Penalties or interest incurred by the New Servicer due to Current Servicer's failure to pay tax or insurance disbursements as described above, may be billed back to the Seller.

The Current Servicer will transfer the remaining escrow funds to the New Servicer on the Servicing Transfer Date.

1.9.1.5.2 SERVICER TO SERVICER TRANSFERS – PAYMENTS RECEIVED AFTER THE TRANSFER DATE

The Current Servicer is responsible for collecting any payments that are due to them during the interim servicing period. The Current Servicer must stop collection efforts after the servicing transfer date.

If the Current Servicer receives a payment after the transfer date, they must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

1.9.1.5.3 SERVICER TO SERVICER TRANSFERS – FORCE PLACE INSURANCE

If Force Placed Insurance is in effect at the time of servicing transfer, the Current Servicer will include in their transfer data a report of the Force Placed Insurance including the amount and date of the last disbursement.

The Current Servicer will cancel the policy on the transfer date.

1.9.1.6 VERUS ASSISTED TRANSFERS

If the loans are currently serviced by the Seller, and the Seller's operating system cannot accommodate a servicing transfer, Verus can assist with the transfer requirements. Contact the Verus Servicing Team for the special arrangements with this process. **This does not relieve the Seller of the interim servicing obligations.**

1.9.1.6.1 VERUS ASSISTED TRANSFERS - ESCROW

Escrow funds based on the scheduled purchase balance will be netted by Verus at the time of purchase. The netted amount will be included on the Purchase Advice.

The Seller is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the Verus purchase date. The Seller must take advantage of any early payment discounts. Verification of upcoming disbursements to be netted from the purchase proceeds will be confirmed at the time of settlement.

Verus recommends that the Seller pay at closing any tax or insurance due within 60 days of the closing date to ensure there is no lapse in payment. If a tax bill or hazard renewal is not available at closing, but is due within 60 days of closing, the Seller should ensure that an adequate escrow deposit is collected at closing.

The Seller will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer timely.

Penalties or interest incurred by the New Servicer due to the Seller's failure to pay escrow disbursements as described above, may be billed back to the Seller.

1.9.1.6.2 VERUS ASSISTED TRANSFERS – PAYMENTS DUE TO THE SELLER (10/16/2023)

The Seller is responsible for collecting any payments that are due to them during the interim servicing period. Sellers must stop collection efforts on the servicing transfer date.

Sellers must self-report to Verus if payments due to them in the interim servicing period are uncollected (delinquent) at the time of Servicing Transfer. Sellers must self-report to the Verus Servicing Team at ServicingTransfers@verusmc.com no later than five (5) days after the servicing transfer date. The Verus Servicing Team will correct the scheduled balance and next due date with the New Servicer.

Sellers who receive a payment due to them after the 5-day self-reporting cutoff must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

Verus will then process a funding adjustment to reimburse the seller per the new scheduled balance. Reimbursement requests for payments or escrow funds received greater than 60 days after the service transfer date may be denied.

For information on where to send the funds, click here to see the [New Servicer Reference Guide](#).

1.9.1.6.3 VERUS ASSISTED TRANSFERS - PAYMENTS DUE TO VERUS

All payments and/or curtailments collected by the Seller after the transfer date that are due to Verus must be forwarded to the New Servicer within 48 hours of receipt. Payments can be forwarded by wire or by check.

For information on where to send the funds, click here to see the [New Servicer Reference Guide](#).

1.9.1.7 NON-SUFFICIENT FUNDS (NSF) PAYMENTS (10/16/2023)

If a payment due to the Seller is reported as Non-Sufficient Funds (NSF) or returned by the bank after the service transfer, the Seller or Current Servicer must provide supporting documentation and request payment reimbursement from the New Servicer and include the Verus Servicing team at ServicingTransfers@verusmc.com.

For information on where to send the request, click here to see the [New Servicer Reference Guide](#).

Requests for NSF reimbursement must be submitted within 60 days of the service transfer date. Aged NSF reimbursement requests greater than 60 days after the servicing transfer date may be denied.

1.9.1.8 AUTOMATED CLEARING HOUSE (ACH) PAYMENTS (10/16/2023)

Sellers are strongly encouraged to use the Verus Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower. Borrowers may select a draft date within the grace period stated on the Note.

Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.

Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.

The initial draft after the servicing transfer may be delayed a few days while the New Servicer activates the loans. All subsequent drafts will occur on the borrower's selected draft date.

Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.

A copy of the ACH enrollment form must be included in the closed loan submission package to Verus.

Click here to see the [Automatic Payment Authorization \(ACH\) Form](#).

1.9.1.9 BORROWER CONTACT CONSENT FORM (04/25/2022)

Sellers are required to provide accurate borrower contact information to Verus. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Verus Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Verus.

Click here to see the [Borrower Contact Consent Form](#).

1.9.1.10 FORWARDING TAX AND INSURANCE BILLS

After the Servicing Transfer Date, the Seller should forward all tax bills, insurance premium renewal notices, and insurance policy documents that they received to the New Servicer within one (1) business day.

For information on where to send trailing tax or insurance documents, click here to see the [New Servicer Reference Guide](#).

1.9.1.11 SUPPLEMENTAL TAX BILLS

Supplemental tax bills are the borrower's responsibility to pay. As most supplemental tax bills are mailed only to the borrower and are not escrowed, the New Servicer is not required to track or to pay the supplemental tax bills from the borrower's escrow account.

1.9.1.12 FLOOD CERTIFICATES (10/16/2023)

Verus requires Life of Loan Flood Certificates for all first and second liens. The Verus preferred flood certificate provider is CoreLogic Flood Services. A copy of the flood certificate must be included in the closed loan submission package to Verus. Any loan requiring Flood Insurance must include: an insurance policy that is in compliance with HFIAA and an escrow/impound account for the insurance premium.

1.9.1.13 TAX TRACKING (12/12/2022)

Verus requires fully transferrable and life of loan tax service on each first lien. The Seller should obtain this at closing. The Verus required tax vendor is CoreLogic. The Seller must provide the tax certificate number to Verus at the time of purchase.

Loans that do not have a life of loan transferable tax certificate number established will be charged the applicable CoreLogic new certificate set-up fee at the time of Verus purchase. For details, see [Section 1.8.1.4 – Fees](#) of this Guide. The fee will be netted by Verus at the time of purchase.

1.9.1.14 MORTGAGEE CHANGE REQUIREMENTS (07/15/2024)

The Seller will ensure that policies are updated with Its Successors and/or Assigns ISAOA language

- Hazard insurance payee
 - Applies to all hazard insurance policies except for a master insurance policy
- Flood insurance payee
 - Applies to all flood insurance policies except for a master insurance policy
- Taxing authority, or the Seller's tax service vendor
- Title insurance policy

1.9.1.15 LOSS DRAFT REQUIREMENTS

If a claim is in process prior to the Servicing Transfer Date, the Seller should continue to process the claim. On the Servicing Transfer date, any remaining undisbursed funds and all claim documentation received by the Seller for the claim should be forwarded to the New Servicer.

1.9.1.16 YEAR END TAX / IRS REPORTING (08/29/2022)

The Seller or their sub-servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

The New Servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

1.9.1.17 PAYOFFS

1.9.1.17.1 PAYOFFS PRIOR TO SERVICING TRANSFER (07/15/2024)

Payoff requests received prior to the Servicing Transfer Date must be provided by the Seller or Current Servicer. ***Payoff calculations must include any applicable prepayment penalty amounts.***

If payoff funds are received before the Servicing Transfer Date the funds should be wired within 24 hours to Verus Mortgage Capital. Notification of payoffs along with a copy of the payment history and payoff statement should be sent to: ServicingTransfers@verusmc.com and to VerusAccounting@invictuscp.com. Verus will provide wire instructions. Failure to provide the appropriate payoff data and funds timely may result in payoff delay and any additional accrual of interest may be assessed to the Seller.

For wire information, click here to see the [New Servicer Reference Guide](#).

1.9.1.17.2 PENDING PAYOFFS

If the Seller or Current Servicer has issued a payoff statement prior to the Servicing Transfer Date, then they must provide to the New Servicer a list of accounts with a valid payoff statement pending at the time of servicing transfer. Include the following information:

- Loan Number
- Payoff amount

- Good-through date

Copies of all valid payoff statements issued for which funds have not been received must be provided to the New Servicer.

For information on where to send trailing document images, click here to see the [New Servicer Reference Guide](#).

1.9.1.17.3 EARLY PAYOFF (EPO) PREMIUM RECAPTURE

Loans paying off early, as defined in the Seller's Mortgage Loan Purchase Agreement, will be subject to Premium Recapture.

CHAPTER 2 - FIRST LIEN ELIGIBILITY

The Non-Agency programs offer loans with features beyond the criteria established for Qualified Mortgages. Features include alternative income documentation for self-employed borrowers, interest only, and loan qualification for investment properties using the subject property cash flow. Non-Agency loans submitted to Verus must meet the criteria of the current published Eligibility Guide as of the Verus loan lock date for review.

2.1 PROGRAM MATRICIES

See Loan/LTV Matrices located on the Verus website: www.verusmc.com.

2.1.1 ELIGIBLE PRODUCTS (10/16/2023)

The following loan products are eligible for purchase by Verus:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
10/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED	Note Rate	480	NA	480	NA	NA
40 YR FIXED I/O	Note Rate	480	120	360	NA	NA

*When Investor Solutions – DSCR documentation type is selected, all ARM products may use the note rate for qualifying.

ADDITIONAL ARM CRITERIA			
Adjustment Reset Period	Lookback Period	Margin	Floor
6-months	45-days	See Rate Sheet	Margin

2.1.2 STATE ELIGIBILITY RESTRICTIONS (07/15/2024)

See the Verus Loan Eligibility Matrix for state eligibility restrictions for all programs.

2.1.3 QUALIFYING PAYMENT (09/07/2021)

The qualifying payment is based upon the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, any other insurance, and any association dues.

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

2.1.4 INTEREST-ONLY RESTRICTIONS (07/15/2024)

	PRIME ASCENT PLUS	PRIME ASCENT	CREDIT ASCENT	INVESTOR SOLUTIONS*	FOREIGN NATIONAL
Occupancy	All Occupancy	All Occupancy	All Occupancy	Investment	Investment
Min Credit Score	700	660	660	680	Eligible – No Restrictions
Max LTV/CLTV	80%	90%	85%	75%	

* For 5-8 Unit/2-8 Mixed Use and Cross-Collateral, see program Matrices.

2.1.5 LOAN AMOUNTS (07/15/2024)

	PRIME ASCENT PLUS	PRIME ASCENT	CREDIT ASCENT	INVESTOR SOLUTIONS*	FOREIGN NATIONAL
Minimum	\$150,000	\$150,000	\$150,000	\$100,000	\$150,000
Maximum	\$2,500,000	\$4,000,000	\$3,000,000	\$3,500,000	\$1,500,000

* For 5-8 Unit/2-8 Mixed Use and Cross-Collateral, see program Matrices.

2.1.6 MINIMUM CREDIT SCORE (07/15/2024)

PRIME ASCENT PLUS	PRIME ASCENT	CREDIT ASCENT	INVESTOR SOLUTIONS*	FOREIGN NATIONAL
680	660	620	640	680 (If applicable)

* For 5-8 Unit/2-8 Mixed Use and Cross-Collateral, see program Matrices.

2.1.7 PRIVATE MORTGAGE INSURANCE (PMI)

Private Mortgage Insurance (PMI) is not required on any loan eligible for sale to Verus Mortgage Capital.

2.2 AGE OF DOCUMENT REQUIREMENTS (06/21/2021)

2.2.1 CREDIT REVIEW DOCUMENTATION

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification/paystubs
- Mortgage/rental verification
- Asset documents/bank statements
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title Commitment/Preliminary Report/Binder/O&E

Any credit review documents exceeding these timeframes must be updated.

2.2.2 APPRAISAL (10/16/2023)

Residential Appraisals (1-4 units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in [Section 2.9.1.1 – Appraisal Requirements 1-4 Unit Residential](#).

Commercial Appraisals (5-8 multi-family, 2-8 mixed use): Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required. See complete appraisal requirements in [Section 2.9.1.2 – Appraisal Requirements 5-8 Residential and 2-8 Mixed Use](#).

2.3 BORROWER ELIGIBILITY (06/21/2021)

2.3.1 CITIZENSHIP

2.3.1.1 US CITIZEN

Eligible without guideline restrictions.

2.3.1.2 PERMANENT RESIDENT ALIEN (04/03/2023)

An individual admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States. The Green Card (Form I-551) is evidence of employment authorization.

- Acceptable evidence of permanent residency includes the following:
 - Alien Registration Receipt Card I-551 (referred to as a green card).
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
 - Alien Registration Receipt Card I-551 (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).
 - 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.”
- Eligible without guideline restrictions.

2.3.1.3 NON-PERMANENT RESIDENT ALIEN (07/15/2024)

An individual admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. For Verus programs, sellers must validate the borrower has employment authorization. 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 valid Social Security Number(s); and
 - Must have established U.S. credit, see [Section 2.5 – Credit](#).
- Employment Status Documentation is required for all borrowers, and may consist of one of the following:
 - Employment Authorization Documents, provide one of the following:
 - Form I-766 Employment Authorization Document (EAD), (work permit/card) is required for US employment if the borrower is not sponsored by a current employer.
 - If the EAD will expire within six (6) months of loan application, 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 for 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, a copy of the Visa permitting employment authorization needs to be included in the credit file.
 - 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.

2.3.2.2 AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM AND BORROWER CONTACT CONSENT FORM (06/21/2021)

- Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. 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.
- The Borrower Contact Consent Form is required.

2.3.2.3 FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS (07/15/2024)

- 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 Section 2.5.3.2.1 – Individuals for criteria.
- OFAC Sanctioned Countries: See Section 2.5.3.2.2 – Foreign Countries for criteria.
- Florida Purchases: Loans secured by property located in the state of Florida made to foreign principals, persons, and entities are to include one of the following Affidavits published by the Florida Land Title Association:
 - Conveyances to Foreign Entities – By Individual Buyer
 - Conveyances to Foreign Entities – By Entity Buyer
- Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at: <https://2009-2017.state.gov/s/cpr/rls/dpl/index.htm>
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention: <https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-your-document/apostille-requirements.html>
 - Model Apostille forms can be found on the following link: <https://www.hcch.net/en/instruments/specialised-sections/apostille>
- Power of Attorney (POA) is not allowed.

2.3.2.4 QUALIFYING U.S. CREDIT FOR FOREIGN NATIONAL BORROWERS (07/15/2024)

- Foreign national borrowers with a valid Social Security number or ITIN, the following apply:
 - Credit report is required, see Section 2.5 - Credit.
 - 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

2.3.2.5 HOUSING HISTORY – FOREIGN NATIONAL (07/15/2024)

Housing history is required for the following:

- Primary residence if the borrower resides in the U.S., see [Section 2.5.5 – Housing History](#).
- Subject property refinance transactions (including cash out), see [Section 2.5.5 – Housing History](#).

2.3.2.6 FOREIGN NATIONAL INCOME (10/16/2023)

- DSCR Income Doc Type – See [Section 2.8 – Debt Service Coverage \(Investment Property\)](#) for DSCR calculation methods.
- See Foreign National matrix for eligibility.

2.3.2.7 FOREIGN NATIONAL ASSETS

2.3.2.7.1 RESERVES (10/16/2023)

Six (6) months of PITIA reserves are required.

2.3.2.7.2 ASSETS HELD IN FOREIGN ACCOUNTS (07/15/2024)

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 when documenting funds to close:

- 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. Bank used as source of wire transfer must match the bank holding the assets verified in the loan file.

Documentation for assets held in foreign accounts:

- A copy of the most recent statement of that account.
- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
- See [Section 2.6.2 - Asset Documentation](#) of this guide for eligible sources and types of assets.

Reserves may remain in a foreign bank account or may be documented in a U.S. bank account.

2.3.2.7.3 GIFT FUNDS

Gift funds are not allowed.

2.3.3 NON-OCCUPANT CO-BORROWERS (10/16/2023)

Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.

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

2.3.4 FIRST TIME HOMEBUYERS (FTHB) (2/26/2024)

An individual is to be considered a first time homebuyer (FTHB) who is (1) purchasing the security property; and (2) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the security property. Note: 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 a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first time homebuyer transactions:

- Primary residence only.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.
- 12-month rental history, reflecting 0x30, documented per [Section 2.5.5 - Housing History](#).
 - First time homebuyers 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.

2.3.5 INELIGIBLE BORROWERS (2/26/2024)

- Irrevocable Trust
- Land Trust
- Blind Trust
- Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services
- 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.

2.3.6 TITLE VESTING AND OWNERSHIP (10/16/2023)

2.3.6.1 VESTING FOR CONSUMER AND BUSINESS PURPOSE LOANS (2/26/2024)

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see [Section 2.9.7 - Leasehold Properties](#).

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter vivos revocable trust
- Illinois land trusts

Ineligible forms of vesting are:

- Land trusts
- Blind trusts
- Irrevocable trust
- IRAs
- Not-For-Profit entity

2.3.6.1.1 INTER VIVOS REVOCABLE TRUST (2/26/2024)

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); or
- 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 1) have the power to hold the title and 2) mortgage the security property for the purpose of securing a loan to the individual (or individuals) who are the borrower(s) under the mortgage or note. One or more of the trustees establishing the trust must use personal income and/or assets to qualify for the mortgage.

Documentation Requirements: (2/26/2024)

- Trust documents are to be obtained as follows:
 - 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

2.3.6.2 VESTING FOR BUSINESS PURPOSE LOANS (INVESTMENT OCCUPANCY) (2/26/2024)

A Business Purpose Loan where the borrower is an entity is limited to the following structures: Limited Liability Company (LLC), Partnership, and Corporation.

The following requirements apply to all loans vested in an entity:

- Loans vested in an entity are eligible under the following programs: Prime Ascent, Credit Ascent, Investor Solutions, Closed End Second
- Purpose and activities are limited to ownership and management of real property.
- Multi-level entity structures are allowed subject to entity documentation requirements met for all entities.
- Entity must be domiciled in a U.S. State.
- Entity is limited to a maximum of four (4) member(s) or manager(s).
- Personal guaranties must be provided by member(s)/manager(s) representing at least 50% ownership of the entity. The personal guaranty form is available on the Verus website: www.verusmc.com.
- A guarantor must have authority to execute loan documents on behalf of the entity.
- Each Entity member (applicant) providing a Personal Guaranty (full recourse) must complete a FNMA Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the FNMA Form 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- No Correspondent Seller shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.

2.3.6.2.1 GUARANTOR(S) DOCUMENTATION (07/15/2024)

- Loan Application (e.g., FNMA Form 1003 or other application)
 - Completed for each guarantor
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name
 - Signed as an individual
- Credit report from all guarantors completing an application, see [Section 2.5.1 - Credit Reports](#)
- Disclosure Documents
 - Business purpose loan disclosures as applicable (e.g., GFE, TIL, LE, CD, ECOA)
 - Any state or federally required settlement statement as applicable
- Legal Documents
 - Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor in their capacity as authorized signer for the entity. See exhibit for [Entity Signature Examples](#)
 - Personal Guaranty
 - The guaranty must be full recourse
 - The guaranty must reference the Note and loan amount
 - Personal guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See [Spousal Consent Form](#)

2.3.6.2.2 ENTITY DOCUMENTATION REQUIREMENTS (2/26/2024)

Limited Liability Company (LLC)

- Entity articles of organization or partnership (or equivalent)
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization)
 - If not available, a Borrowing Certificate is required
 - Borrowing Certificate ([LLC Borrowing Certificate - Single Member](#) or [LLC Borrowing Certificate - Multiple Member](#))
- Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
- EIN/Tax Identification Number
 - Single member LLC may use EIN or the guarantor social security number
 - Multi-member LLCs require an EIN

Corporation

- Filed Certificate/Articles of Incorporation and all amendments (or equivalent)
- By-Laws and all amendments
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)

- EIN/Tax Identification Number
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
- Receipt of current year franchise tax payment, clear search, or evidence the state does not require a franchise tax payment.

Partnership

- Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
- Partnership Agreement and all amendments
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- EIN/Tax Identification Number
- Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual(s):
 - Loan Application (FNMA Form 1003)
 - Completed for each member of the Entity providing a guaranty.
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the Entity name.
 - Signed by Individuals
 - Personal Guaranty
 - Completed for each member of the Entity providing a guarantee.
 - The guaranty should be executed at loan closing and dated the same date as the Note.
 - Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See [Spousal Consent Form](#)
- Signed by the authorized signer for the entity:
 - Disclosures (e.g., GFE, TIL, LE, CD, ECOA)
 - Any state or federally required settlement statement as applicable
 - Note, Deed of Trust/Mortgage, and all Riders

2.3.6.3 POWER OF ATTORNEY

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

- It is 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;
- The Borrower who executed the POA signed the initial FNMA Form 1003;
- 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 or with Foreign National borrowers.

2.3.7 OCCUPANCY TYPES (12/13/2021)

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
 - Restricted to one-unit dwellings.
 - Must be suitable for year-round occupancy.
 - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement.
- Investment Property – An investment property is owned but not occupied by the borrower.

2.3.8 BORROWER STATEMENT OF OCCUPANCY (05/02/2022)

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the [Occupancy Certification](#) of this guide.

2.3.9 BORROWER STATEMENT OF BUSINESS PURPOSE (DSCR - INVESTMENT PROPERTY) (05/02/2022)

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](#) form in this guide. Verus reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common occupancy 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.

2.4 TRANSACTION TYPES (08/29/2022)

2.4.1 ELIGIBLE TRANSACTIONS (12/12/2022)

2.4.1.1 PURCHASE (07/15/2024)

- 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 or finder’s fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.

- Arm's Length For-Sale-By-Owner (FSBO) transactions allowed.
 - If Non-Arm's Length, see [Section 2.4.3 – Non-Arm's Length Transactions](#).
- Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule. See [Section 2.9.2.1.1- TILA Higher Priced Mortgage Loans Appraisal Rule \(Property Flips\)](#) for details.
- 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.

2.4.1.2 RATE/TERM REFINANCE (07/15/2024)

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, in the credit file, 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 LTV/CLTV.
- If the subject 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 appraisal value or previous purchase price plus documented improvements (if any) will be used to determine 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

2.4.1.3 CASH-OUT (07/15/2024)

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, must be documented by the seller:
 - 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 [Section 2.4.1.4 – 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.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- 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 requirements in [Section 2.4.7 - Prepayment Penalty](#) are met.
 - There has been a prior cash-out transaction within the past six (6) months
 - Payoff of a Land Contract/Contract for Deed.
 - Non-Owner Occupied investment property transactions (Investor 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.

2.4.1.4 DELAYED FINANCING (10/16/2023)

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
 - The transaction is considered cash out refinance for pricing and eligibility. 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 original purchase transaction was 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 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.

2.4.2 LISTING SEASONING (07/15/2024)

For cash-out refinances only:

Primary/Second Home:

- 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 value 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 permitted with a minimum prepayment penalty of three (3) years, see [Section 2.4.7 - Prepayment Penalty](#). If a property is listed for sale, the listing must be cancelled prior to the note date.
- The value will be based on the lesser of the lowest list price or appraised value.

2.4.3 NON-ARM'S LENGTH TRANSACTIONS (12/12/2022)

2.4.3.1 NON-ARM'S LENGTH TRANSACTION (12/12/2022)

Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions 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 [VOM]).

2.4.3.2 NON-ARM'S LENGTH TRANSACTION RESTRICTIONS (07/15/2024)

- Renter(s) purchasing from landlord.
 - 12-months of cancelled 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 foreclosure bailout.
- Borrower to provide verification of earnest money deposit.
- Maximum LTV/CLTV of 80%.
- Employer to employee sales or transfers are not allowed (e.g., newly constructed properties).
- Property trades between buyer and Seller are not allowed.
- Commission earned by buyer/borrower cannot be used for down payment or monthly PITIA reserves.

2.4.4 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS) (04/03/2023)

Owner Occupied

- Maximum contribution:
 - 6% for LTVs \leq 80%
 - 4% for LTV > 80%

Non-Owner Occupied

- 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., borrower 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.

2.4.5 ESCROWS – IMPOUND ACCOUNTS (07/15/2024)

Escrow accounts must be established by the seller, originator, or 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 accounts for property taxes and hazard insurance may be waived subject to the following requirements:
 - LTV less than or equal to 80%
 - Minimum credit score of 720
 - Minimum 12-months of reserves
 - Escrow waiver is subject to an LLPA adjustment, see rate sheet for program specific adjustments
- Flood insurance escrow account:
 - Escrow account for flood insurance premium is required for all loans secured by residential improved real estate located in a flood zone.
 - See [Section 1.8.2.9 – Flood Insurance](#) for flood insurance requirements.
 - Flood insurance escrow may be waived for business purpose loans

2.4.6 SECONDARY FINANCING (10/16/2023)

- Private-party secondary financing not allowed
- Secondary financing must be subordinated and included in CLTV
- 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

2.4.7 PREPAYMENT PENALTY (07/15/2024)

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 prepayment structures may be used:

- 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. (Not eligible under cross-collateral, 5-8 unit, or 2-8 mixed use.)
- 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.

See rate sheet for further detail. 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, and RI.
 - Restrictions do not apply to DSCR 5-8 Unit/2-8 Mixed Use properties.

- 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 calendar year 2024 the base figure amount is \$312,159.
- Only declining prepayment penalty structures are allowed in MS.

2.5 CREDIT

2.5.1 CREDIT REPORTS (04/25/2022)

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The 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.

2.5.2 UNDISCLOSED DEBT (07/15/2024)

A gap credit report or Undisclosed Debt Monitoring (UDM) report is required no more than 30- days prior to loan closing or any time after closing.

- Any new tradeline with a balance must be included in determining the DTI ratio.
- Business purpose DSCR transactions are excluded from this requirement.

2.5.3 FRAUD REPORT AND OFAC SEARCH (2/26/2024)

2.5.3.1 FRAUD REPORT (07/15/2024)

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties involved in the transaction must be included in the fraud report performed by an automated fraud and data check vendor solution.

Requirements:

- Transaction participants must be included in the fraud report as follows: Borrowers/Guarantors, Property Sellers, Settlement Agents
 - Only member(s)/manager(s) of an entity providing a guaranty are required to be included in the fraud report
- An industry recognized fraud and data vendor must be used (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor)

- 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 by the seller.
 - Sellers may clear “high” alerts or “red flags” directly through the vendor solution or with a signed attestation. The attestation must address each “high” alert, or “red flag” noted in the fraud report. Verus may request additional documentation to address high fraud risk.
- Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

2.5.3.2 OFAC SEARCH (2/26/2024)

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.

2.5.3.2.1 INDIVIDUALS (07/15/2024)

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, 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.

2.5.3.2.2 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/sanctions/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.

2.5.4 CREDIT INQUIRIES (2/26/2024)

Credit inquiries listed on the report within 90 days of the report date must be addressed by the borrower with a letter of explanation. If no credit was extended, borrower must state the purpose of the inquiry. If new credit was extended, borrowers must provide documentation on the current balance and payment. New payment terms are to be included in the DTI ratio. DSCR is excluded from addressing credit inquiries.

2.5.5 HOUSING HISTORY (07/15/2024)

- Housing payment history is required for all Real Estate Owned (REO) evidencing the payment activity for the most recent 12-months.
- All payment history will be used for program eligibility, see applicable program matrix for housing history requirements.
- Housing payments must be paid current as of 45 days of the loan application date
- Any REO listed on the application owned free & clear requires a Property Profile Report or similar document
 - Property taxes, all insurance, and homeowner's association dues (if applicable) are to be verified and included in DTI
- Borrower(s) who sold a primary residence within the past six (6) months, currently residing rent-free, and purchasing a new primary residence are allowed. 12-month mortgage history is required on previous primary residence.
- Less than 12-month history or residing rent-free 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.
- Borrowers who are currently renting a residence, a most recent 12-month 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.
- DSCR transactions have separate housing history requirements, see [Section 2.8.2.3 - Housing History DSCR](#).

2.5.5.1 MORTGAGE VERIFICATION

2.5.5.1.1 MORTGAGE(S) REPORTING ON CREDIT REPORT

The seller 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 complete 12-month mortgage history is not reported on the credit report, the seller must use one of the following to complete the borrower's payment history:

- Credit supplement; or
- Request for Verification of Mortgage Form completed by the creditor; or
- Loan payment history from the servicer; or
- Borrower's proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

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

2.5.5.1.2 MORTGAGE(S) NOT REPORTING ON CREDIT REPORT (07/15/2024)

The seller must document mortgage history for REO listed on the application not reporting on the credit report. Mortgage payment history must be documented with all of the following:

- Verification of Mortgage (VOM) form completed by the creditor:
 - A 12-month mortgage history is required for Prime Ascent Plus, Prime Ascent, Credit Ascent, and Second Lien Products.
 - The payment from the VOM is to be used in the calculation of DTI.
- Evidence of monthly payments made by the borrower for most recent 6 months:
 - Cancelled checks, ACH payment, bank transfer, etc.
 - Payments made in cash are not eligible.

If subject transaction is a refinance, mortgage payoff statement is required from the creditor:

- Payoff statement that reflects late fees, deferred balance, or delinquent interest greater than 30 days are subject to housing history and/or credit event criteria. Transaction is to be considered cashout.

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.

2.5.5.2 BALLOON NOTES WITH MATURITY DEFAULT (07/15/2024)

- 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 late, delinquent 61 days is 1x60 late, etc).

2.5.5.3 RENTAL VERIFICATION (04/25/2022)

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 (cancelled checks, rental statements including payment history, etc.).

2.5.5.4 DEPARTURE RESIDENCE (07/10/2023)

- 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. 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 (FNMA Form 1007).
 - Copy of a current lease.
 - Evidence of proof of receipt of damage deposit and first month's rent.

2.5.6 CONSUMER CREDIT (06/21/2021)

2.5.6.1 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 debt-to-income 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.

2.5.6.2 LEASE PAYMENTS

Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is 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.

2.5.6.3 STUDENT LOANS

If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Seller may use the monthly payment that is on the student loan documentation (the most recent student loan statement) 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, the Seller must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Seller may calculate:

- 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.

2.5.6.4 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, the Seller must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

2.5.6.5 REVOLVING DEBT (2/26/2024)

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 debt-to-income 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 calculation. 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.

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, the Seller must use 5% of the outstanding balance to be included in the DTI ratio calculation.

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

2.5.6.6 AUTHORIZED USER ACCOUNTS (2/26/2024)

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

2.5.6.7 OPEN 30-DAY CHARGE ACCOUNTS (12/13/2021)

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, sellers 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.

2.5.6.8 SOLAR PANELS (2/26/2024)

Installment debt from financed or leased payments associated with solar panels are to be included in the debt-to-income ratio. See [Section 1.8.2.11– Solar Panels](#) for additional criteria.

2.5.6.9 TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

2.5.6.10 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 debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the seller must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

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

- Most recent six (6) months of cancelled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- 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.

2.5.6.11 CONTINGENT LIABILITY ON COSIGNED 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 the Seller obtains proof that the borrower is not the party who is repaying the debt, the Seller may exclude the debt. In order to exclude debts from the borrower's DTI ratio, the Seller 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.

2.5.6.12 COURT-ORDERED ASSIGNMENT OF DEBT (07/15/2024)

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.

The seller is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. The seller cannot disregard the borrower's payment history for the debt before its assignment.

2.5.6.13 LOANS SECURED BY FINANCIAL ASSETS (04/03/2023)

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 seller is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the seller obtains a copy of the applicable loan instrument that 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 seller 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.

2.5.6.14 CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS (07/10/2023)

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.
 - 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 are title impacted.

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 the 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.

2.5.6.15 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.

2.5.6.16 JUDGMENT OR LIENS

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

2.5.6.17 INCOME TAX LIENS (06/21/2021)

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 file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments have 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 the 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.

2.5.6.18 DISPUTED TRADELINES (10/16/2023)

- Revolving account: See [Section 2.5.6.5 - Revolving Debt](#)
- Installment account: See [Section 2.5.6.1 - Installment Debt](#)
- Mortgage account: Housing history restrictions apply, see [Section 2.5.5 – Housing History](#)
- Collection/charge-off account: See [Section 2.5.6.13 - Consumer Credit Charge-Offs and Collections](#)

2.5.7 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 Note date.

2.5.8 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 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.

2.5.9 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 discharge of bankruptcy and the short sale/deed-in-lieu completion date.

2.5.10 FORBEARANCE, MODIFICATION, OR DEFERRALS (07/15/2024)

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12-months from Note Date:

- Forbearance, loan modifications, or deferrals 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 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.
- Forbearance, loan modifications, or deferrals completed or reinstated within 12-months of the Note date of the subject transaction are not eligible under Prime Ascent Plus, Prime Ascent, Investor Solutions – DSCR, 5-8 multi/2-8 mixed use, and Cross Collateral.

2.5.11 CREDIT SCORE (04/03/2023)

Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit 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 two (2) or middle of three (3) credit scores.

For a loan file with one borrower, that borrower's score is the decision credit score.

For loan 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.
 - If the borrower and co-borrower are self-employed and jointly own the business being used for income, the highest score amongst the borrowers is used as the decision credit score.
- DSCR Documentation: Determine a decision credit score for each borrower/guarantor (lower of two or middle of three), use highest decision credit score amongst all borrowers/guarantors to determine loan eligibility.
- Asset Utilization: Use the lowest score amongst all borrowers who will be on the loan as the decision credit score.

2.5.12 TRADELINES (12/12/2022)**2.5.12.1 STANDARD TRADELINES (2/26/2024)**

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 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 tradeline requirements 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.

Borrowers 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 the requirements below:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history of at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable.
- 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
- Pre-foreclosure sales

2.5.13 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

2.5.13.1 HOUSING AND MORTGAGE-RELATED OBLIGATIONS (04/25/2022)

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges that are required by the creditor (i.e., mortgage insurance), 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 (REO) section of the FNMA Form 1003 loan 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.

2.5.13.2 CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

A Seller may use a credit report to verify a borrower’s current debt obligations, unless the Seller has reason to know that the information on the report is inaccurate or disputed. 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, the Seller has the 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 ratio. If the Seller exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

2.6 ASSETS (06/21/2021)

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

2.6.1 ASSET REQUIREMENTS (07/15/2024)

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. 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.

2.6.2 ASSET DOCUMENTATION (2/26/2024)

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement.

- 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 another individual 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 the current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in 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 (FNMA 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 payments on loans secured by non-financial assets 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 [Section 2.5.6.12 - Loans Secured by Financial Assets](#) for complete details.
- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets. For downpayment and closing costs, if funds haven't been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets.
 - Consumer Purpose Loans: The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
 - Business Purpose Loans:
 - Assets held in the name of the vested entity: 100% of the assets may be used.
 - Assets not held in the name of the vested entity: 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 for assets.
- 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. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts.
- Cash-on-hand.
- Sweat equity.
- Gift or Grant funds which 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. See [Section 2.6.4 – Gift Funds](#).

2.6.3 RESERVES (10/16/2023)

- Verus loan program requires minimum reserves as outlined on the Verus Loan\LTV matrices.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements. See matrix for restrictions.
- Reserve requirements are waived for Rate-And-Term Refinance transactions (Applies to loans under Prime Ascent, Credit Ascent and Investor Solutions secured by a 1-4 unit property) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver 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 (ARM), 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.

2.6.4 GIFT FUNDS (2/26/2024)

Unless otherwise specified, Gift Funds are acceptable if one of the following applies:

- For Owner-occupied properties a 5% down payment has been 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%. Borrower(s) must meet both reserve and residual income requirements.
- For Investment properties, a minimum of 10% down payment must be made by the borrower from their own funds.

2.6.4.1 ELIGIBLE DONORS AND DOCUMENTATION (12/12/2022)

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-US 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, the developer, the real estate agent, or any other interested party to the transaction.

2.6.4.1.1 DOCUMENTATION REQUIREMENTS (2/26/2024)

Gifts must be evidenced by a letter signed by the donor, called a gift letter. 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.

2.6.4.1.2 VERIFYING DONOR AVAILABILITY OF FUNDS AND TRANSFER OF GIFT FUNDS (2/26/2024)

The seller 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 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 seller 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 allowed for Primary Residence. Must meet all other guidelines for Gift Funds.

2.7 INCOME

2.7.1 INCOME ANALYSIS (04/25/2022)

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

2.7.1.1 EMPLOYMENT/INCOME VERIFICATION (04/03/2023)

- A minimum of two (2) years of employment history for both wage/salary or self-employment, is required to be documented on the loan application (FNMA Form 1003). When the borrower has less than a two-

year history of employment, the Seller should 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
 - Limit Liability Company (LLC)
 - Partnerships
 - S-Corporation
 - Corporation
- If any borrower is no longer employed in the position disclosed on the FNMA Form 1003 at the Verus purchase date, Verus will not purchase the loan.

2.7.1.2 EARNINGS TRENDS (04/03/2023)

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 of 20% or more on a year over year basis, 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 will be used.

2.7.2 DEBT-TO-INCOME (DTI) RATIO (07/15/2024)

The Debt-to-Income (DTI) 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 includes real estate taxes, property insurance, any other insurance, and any association dues.

- Calculating Real Estate Tax Payment for subject property:
 - For purchase and construction-related transactions, the Seller 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.

2.7.3 RESIDUAL INCOME (07/10/2023)

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	80%	\$2,500

2.7.4 DOCUMENTATION OPTIONS (04/25/2022)

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard documentation includes various other types of income. See [Section 2.7.5.4 - Other Sources of Income](#) for documentation requirements. Income should be calculated and documented according to Verus guidelines. If a specific source of income is not referenced in the Verus Guide, the Fannie Mae® guidelines for that income source may be used.

2.7.4.1 IRS FORM 4506-C

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

2.7.4.2 TAXPAYER FIRST ACT

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. “Tax return information” is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if a Seller or servicer obtains tax return information during the origination or servicing of a mortgage loan, the Seller or servicer must obtain express consent from the taxpayer to be able to share the tax information with another party. Such sharing would extend to actual or potential owners of the loan, such as Verus Mortgage Capital or any other loan participant.

To ensure compliance with the law, the [Taxpayer Consent Form](#) has been created. To comply, the Seller must include either the Verus version or their own version of the document in all loan files that include tax returns.

2.7.5 STANDARD DOCUMENTATION

The Standard Income Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

2.7.5.1 RESTRICTIONS (04/03/2023)

- See the Verus Matrices for maximum LTV/CLTV and DTI.
- A minimum credit score of 620.
- A minimum two (2) year history of receipt of wage/salary or self-employment income is required.

2.7.5.2 STANDARD INCOME DOCUMENTATION (12- OR 24- MONTHS) (08/29/2022)

Eligibility and pricing differences exist for the 12- or 24- month documentation options, see Loan/LTV Matrices and rate sheets for details.

2.7.5.2.1 WAGE/SALARY INCOME (2/26/2024)

- The borrower's most recent paystubs 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. See [Section 2.7.5.4.22 – Overtime/Bonus/Commission](#).
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, 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.

2.7.5.2.2 SELF-EMPLOYMENT INCOME (04/03/2023)

- 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
 - E-mail 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 (IRS Form 1120) returns are required.
 - In lieu of tax returns, tax transcripts for the most recent one (1) or two (2) years may be provided as applicable. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower.
- If the borrower pays themselves wage income, a YTD paystub must be included in the file.
- 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) business checking account statements 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.

2.7.5.3 EMPLOYMENT STATUS (08/29/2022)

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

Wage/salary borrowers:

- A YTD paystub dated within 30 days of Note date; **or**
- A verbal VOE dated no more than 10 calendar days prior to Note date. Sellers may use any type of verification form. The VOE should include the following data:
 - Borrower name
 - Loan ID number
 - Current position
 - Verification that borrower's employment is currently active
 - Employer name/company name
 - Employer contact name and title
 - Name of individual who completed the VOE
 - Business phone number must be independently verified; **or**
- A verification via e-mail exchange with the borrower's current employer dated no more than 10 calendar days prior to Note date. Due diligence must be conducted to confirm the e-mail address for the employer is accurate. The VOE should include the following data:
 - Work e-mail address of the individual contacted at the employer
 - Borrower name
 - Current position
 - Current employment status

Self-Employed Borrowers:

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

2.7.5.4 OTHER SOURCES OF INCOME

2.7.5.4.1 ALIMONY OR CHILD SUPPORT (2/26/2024)

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will 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.
 - 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.
 - 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 nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status.

2.7.5.4.2 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.

2.7.5.4.3 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.

2.7.5.4.4 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.

2.7.5.4.5 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.
- Paystub(s) 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.

2.7.5.4.6 EMPLOYMENT OFFERS OR CONTRACTS (2/26/2024)

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub 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.

2.7.5.4.7 FOREIGN INCOME (09/07/2021)

Foreign income is income earned by a borrower (US 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 US currency must be translated.

2.7.5.4.8 FOSTER CARE INCOME (08/29/2022)

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.
- Documentation verifying that the borrower has received foster care income for a minimum one-year period.
- Qualifying income is based upon the current amount received.

2.7.5.4.9 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 are required.
- Written documentation, such as a Written Verification of Employment (WVOE) 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.

2.7.5.4.10 INTEREST/DIVIDENDS

Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the [2.2 - Age of Document Requirements](#) section.

- 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.

2.7.5.4.11 NON-TAXABLE INCOME (2/26/2024)

- If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the seller 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 nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status.
 - Social Security income: Income may be grossed up at 15% without documentation verifying the nontaxable status.

2.7.5.4.12 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 mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12-months using either cancelled 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.

2.7.5.4.13 SOCIAL SECURITY (07/15/2024)

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 the seller documents a 3-year continuance.

Social Security income may be grossed up, see [Section 2.7.5.4.11 – Non-Taxable Income](#).

- 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
 - 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
- Supplement Social Security Income (SSI), provide all of the following:
 - Most recent SSA Award letter, and
 - Proof of current receipt

2.7.5.4.14 PENSION, RETIREMENT, ANNUITY (07/15/2024)

The following provides verification requirements for pension, retirement, and annuity income. Document regular and continued receipt of the income 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 return, 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, the provide all of the following:

- Account Statement(s) reflecting available balance for withdrawals evidencing three (3) year continuance, and
- Borrower must have unrestricted access to the accounts without penalty

2.7.5.4.15 RENTAL INCOME (06/21/2021)

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 rental 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 rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying
- Commercial properties owned on 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
 - 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.

2.7.5.4.16 RESTRICTED STOCK UNITS (08/29/2022)

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 ordinal 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 the following requirements are met:

- Income has been consistently received for the prior two (2) years and is verified it will continue for three (3) years.
- RSU income is calculated using the past two (2) year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.
- Borrowers must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- 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:

- 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.
 - Year-end paystubs reflecting the RSU payout.
 - 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.

2.7.5.4.17 ROYALTY INCOME

- Obtain copies of the following:
 - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
 - The borrower's most recently signed federal income tax return, including IRS Form 1040 and 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 the mortgage Note.

2.7.5.4.18 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.

2.7.5.4.19 TIP INCOME (08/29/2022)

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). 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 paystub. Income should be averaged over the time-period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

2.7.5.4.20 TRUST INCOME (07/15/2024)

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 an 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 trustee
- Variable trust income: Use an 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 trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements).
- 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.

2.7.5.4.21 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.

2.7.5.4.22 VA BENEFITS (07/15/2024)

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. (Verification is not required for VA retirement or long-term disability benefits.)

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

2.7.5.4.23 VARIABLE – OVERTIME/BONUS/COMMISSION (08/29/2022)

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 period;
- A completed Written Verification of Employment – FNMA Form 1005 detailing base, overtime, commission, or bonus earnings.

2.7.5.4.24 INELIGIBLE INCOME SOURCES (08/29/2022)

- Boarder income
- Educational benefits
- Gambling winnings
- Cannabis (see below)
- Mortgage Credit Certificates
- 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.

2.7.6 ALT DOC - BANK STATEMENTS (04/25/2022)

Personal bank statements or business bank statements may be used to document self-employment income.

Bank statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating in the Fannie Mae Day 1 Certainty® process.

The Verus Business Bank Statement calculator is available for download from the www.verusmc.com website.

2.7.6.1 RESTRICTIONS

2.7.6.1.1 APPLIES TO PERSONAL/BUSINESS BANK STATEMENTS (07/15/2024)

- See the Verus Matrices for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
 - If nature of borrower's business cannot be determined from the URLA, a business narrative may be provided by the borrower, see [Business Narrative Form](#).
- 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 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) 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.

2.7.6.2 BANK STATEMENT OPTIONS/INCOME ANALYSIS (10/16/2023)

In addition to the factors described in the [2.7.1 – Income Analysis](#) section of this guide, Sellers should consider the following:

- 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.

2.7.6.2.1 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

- 12- or 24- months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.
- Most recent two (2) months of BUSINESS bank statements.
- Verify that the borrower owns 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, which must:
 - Evidence activity to support business operations.
 - Reflect transfers to the personal account.

2.7.6.2.2 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 URLA or 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 URLA or loan application.

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

Standard Expense Ratio – 50%

Documentation Requirements

- A standard 50% expense factor will be applied to the total of eligible deposits.
- 12- or 24- 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: $\$360,000 \times .50 = \$180,000 \times 1.00 = \$180,000 / 12 = \$15,000$

3rd Party Prepared Business Expense Statement Letter

Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- 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: $\$360,000 \times .75 = \$270,000 \times .50 = \$135,000 / 12 = \$11,250$

3rd Party Prepared P&L Statement

Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- P&L covering 12- or 24- months (determined by the months of bank statements provided)

- Prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or 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 (12 or 24).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Amortization/casualty loss

2.7.6.3 NON-SUFFICIENT FUNDS (07/15/2024)

Non-sufficient funds (NSF) 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 conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) 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 (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) 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) 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 (b) 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.

2.7.7 ALT DOC – RENTAL INCOME (07/10/2023)

Rental income may be included in loan qualification for Alt Doc 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.
 - If the transaction type is a purchase of an investment property, and income from the subject property is considered in the underwriting, 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.
- 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 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 screen shot 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.

2.7.8 ALT DOC – PROFIT & LOSS STATEMENT ONLY (2/26/2024)

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), a CTEC registered tax preparer, or a Tax Attorney. PTIN is not allowed.

- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years 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 for the time period covered by the P&L Statement.
 - 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:
 - a. Two (2) months business bank statements for the most recent two (2) months reflected on the P&L statement.
 - i. 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 web site)
 - CTEC certification from California (e.g., screenshot of CTEC web site)
 - 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.

2.7.9 ALT DOC - IRS FORM 1099 (07/15/2024)

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
 - One of the following Business expense analysis methods:
 - 90% Net Margin (10% Expense Factor), or
 - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer).
- A minimum 2-year self-employment history 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, see the Product Matrices.

2.7.10 ALT DOC – WRITTEN VERIFICATION OF EMPLOYMENT (02/26/2024)

A written Verification of Employment may be utilized when documenting wages/salary income. The following criteria applies:

- Two year history with the same employer is required.
- Completed FNMA Form 1005
- Minimum credit score:
 - Prime Ascent - 680
- Primary Residence Only
- 24-month 0x30 housing history required.
- Paystubs, Tax Returns, 4506-C, or W-2's not required.
- Eligible for Prime Ascent only
 - See Loan/LTV matrix for restrictions.
- Must be completed by Human Resource, 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 Homebuyer 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.

2.7.11 ALT DOC - ASSET UTILIZATION (09/07/2021)

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 is waived.

2.7.11.1 RESTRICTIONS (10/16/2023)

- Minimum credit score: 660
- See Verus Matrices for max LTV
- See Verus Matrices for max DTI
 - DTI limits:
 - First time homebuyer (FTHB): 45%
 - Less than 12-month housing history: 43%
- Gift funds not eligible
- Non-occupant co-borrowers not allowed

2.7.11.2 ASSET UTILIZATION QUALIFYING METHOD (06/21/2021)

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 84.

2.7.11.3 ASSET UTILIZATION INCOME DOCUMENTATION (10/16/2023)

Required documentation consists of the following:

- All individuals listed on the asset account(s) must be on the Note and Mortgage.
- 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.

2.7.11.4 ASSETS ELIGIBLE FOR DEPLETION (07/10/2023)

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:

- 100% of Checking, Savings, 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 assets held in the trust, the above asset percentages apply.

2.7.1.1.5 ASSETS INELIGIBLE FOR DEPLETION (08/29/2022)

- 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.

2.8 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY) (07/10/2023)

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 execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: [Borrower Certification of Business Purpose](#) / [Occupancy Certification](#).

2.8.1 BORROWER/GUARANTOR EXPERIENCE

2.8.1.1 EXPERIENCED INVESTOR (2/26/2024)

- 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.
 - For files with more than one borrower/guarantor, only one borrower/guarantor must meet the definition.
- Ownership history can be documented for other REO with one of the following:
 - Mortgage history on credit report
 - Property profile report
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

2.8.1.2 FIRST TIME INVESTOR (07/15/2024)

First Time Investor is a borrower/guarantor not meeting the Experienced Investor definition. Borrower/guarantor must currently own a primary residence for at least one (1) year.

- Ownership history can be documented with 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 Investors are eligible subject to the following restrictions:

- Minimum credit score: 680.
- If reported, no mortgage late payments during the past thirty-six (36) months.
- Minimum of 36-months seasoning from any credit event.
- Cash-out transactions not eligible.
- First time homebuyers are not eligible, see [Section 2.8.2.3 – Housing History - DSCR](#) for borrower living with a spouse.

2.8.2 1-4 FAMILY RESIDENTIAL PROPERTY (12/12/2022)

2.8.2.1 PROPERTY INCOME ANALYSIS (12/12/2022)

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey 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.

2.8.2.1.1 LONG TERM RENTAL DOCUMENTATION AND DSCR CALCULATION (2/26/2024)

- 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 LTV restriction.
- Refinance Transactions
 - Required documentation:
 - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
 - If the lease has converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of 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 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 or 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. See the Verus Eligibility Matrix for required Debt Service Coverage Ratios.
 - Gross rents divided by PITIA = DSCR

2.8.2.1.2 SHORT TERM RENTAL (E.G., AIRBNB, VRBO, FLIPKEY) DOCUMENTATION AND DSCR CALCULATION (07/15/2024)

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 balance matrix.
 - Refinance: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
 - See matrix for Condo Hotel LTV/CLTV limits.
 - DSCR calculation:
 - Monthly gross rents based upon a 12-month average to account for seasonality required.
 - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below 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.
 - $(\text{Gross Rents} * .80) \text{ divided by PITIA} = \text{DSCR}$.
- 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:
 - A 1007 or 1025 Comparable Rent Schedule survey 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.
 - The most recent 12-month rental history statement from the 3rd party rental/management service.
 - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying rental income must be net of all vendor or management fees.
 - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.

- AIRDNA (www.Airdna.co) Rentalizer and Overview reports, accessed using the Explore Short-Term Rental Data, must meet the following requirements:
 - Rentalizer (Property Earning Potential)
 - Only allowed for purchase transaction.
 - Gross Rents equal the revenue projection from the Rentalizer Report.
 - a. The gross rents are subject to the application of the 20% extraordinary expense factor.
 - b. Revenue projection equals the average daily rental rate times the occupancy rate.
 - Forecast Period must cover 12-months from the Note date.
 - 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 (Evaluate a Market):
 - 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.
 - a. Both the Market and Sub-Market score must be at the zip code level.

2.8.2.2 DEBT SERVICE COVERAGE RATIO (DSCR) (07/15/2024)

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 Verus Eligibility matrix for required Debt Service Coverage Ratios. See [Section 2.1.3 - Qualifying Payment](#) for further guidance regarding Qualifying Payments.

- Calculating Real Estate Tax Payment for subject property:
 - For purchase and construction-related transactions, the Seller 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.

Example: Sample Debt Service Coverage Ratio Calculation

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (FNMA 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)

2.8.2.3 HOUSING HISTORY – DSCR (07/15/2024)

- Housing history for the DSCR Doc type is required for the borrower's primary residence and the subject property if a refinance transaction. Any mortgage tradeline reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- The documentation requirements under [Section 2.5.5 – Housing History](#) should be followed for verification.

- An updated mortgage history, defined as paid current as of 45 days of the loan application date, is only needed for the primary residence and subject property.
- 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 cashout.
- First time homebuyers (FTHB) living with a spouse are eligible with the following:
 - Spouse owns the primary residence
 - Evidence spouse is on title, and
 - Proof of 12- month payment history, or evidence the primary residence is owned free & clear

2.8.2.4 RESTRICTIONS (07/15/2024)

- See the Verus Matrices for the maximum LTV/CLTV.
- 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, documented per [2.6.2 – Asset Documentation](#).
- 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.
- When the subject property is encumbered by a blank/cross collateralized loan, the transaction is considered cashout. Copy of the note will be required to verify the payoff/release terms.

2.8.2.5 BORROWER APPLICATION (04/25/2022)

- The borrower information section of the loan application (i.e., FNMA Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., FNMA Form 1003).
- No proof of borrower income is required.

2.8.2.6 DEFAULT EVENT

If a loan payment is delinquent for 60 days, Verus Mortgage Capital's loan servicer will enforce the following provision from the 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases.

2.8.3 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

2.8.3.1 PROPERTY INCOME ANALYSIS (07/10/2023)

- Minimum DSCR ≥ 1.00 .
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment).
- Loan amounts $\geq \$2,000,000$ require DSCR ≥ 1.00 and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater).

- Leased – Use lower of Estimated market rent or lease agreement.
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties, 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.
- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- Income from commercial space must not exceed 49% of the total property income.
- If the lease has been converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease.
- Short-term rental use/income not eligible.
- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property.

2.8.3.2 BORROWER EXPERIENCE (04/25/2022)

- Experienced Investors only, 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.
- First time investors are not eligible.

2.8.3.3 ELIGIBLE PROPERTY (10/16/2023)

- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
- Commercial unit(s) may be occupied by the borrower's business.
- Residential 5 – 8 Units (Max 2-acres)
- Mixed use 2 – 8 Units
 - Commercial usage limited to Retail/Office/Restaurant
 - 2-3 Units: Max 1 commercial Unit
 - 4-5 Units: Max 2 commercial Units
 - 6-8 Units: Max 3 commercial Units
 - Commercial space must not exceed 49% of the total building area
- Unleased Units
 - Maximum 1-unit on 2-3 unit property
 - Maximum 2-units on 4+ unit property

2.8.3.4 PROPERTY CONDITION (10/16/2023)

- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., dry cleaner, laundromat, chemical storage, fuel station, auto body repair)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

2.8.3.5 PREPAYMENT PENALTY (12/13/2021)

Eligible prepayment penalties limited to either a fixed percentage or declining percentage style

2.8.3.6 ELIGIBILITY REQUIREMENTS (04/25/2022)

The maximum loan term cannot exceed 30 years.

2.8.3.7 ASSETS (12/12/2022)

For asset documentation requirements, follow Investor Solutions - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

2.8.4 CROSS COLLATERAL

The term cross collateral loan refers to a single mortgage that covers three (3) or more properties. The properties are held together as collateral on the mortgage, but the individual pieces of real estate may be sold without extinguishing the entire mortgage. Traditional mortgages typically have a “due-on-sale clause,” which stipulates that if property secured by the mortgage is sold, the entire outstanding mortgage debt must be paid in full immediately. With a cross collateral mortgage, a partial release clause allows the sale of portions of the secured property and corresponding partial repayment of the loan. This is done to facilitate purchases and sales of multiple units of property with the convenience of a single mortgage.

2.8.4.1 ELIGIBILITY REQUIREMENTS (07/10/2023)

- Only experienced investors are eligible for cross collateral loans.
- 1-4 residential units are eligible. 5-8 Residential and 2-8 Mixed use property are not eligible.
- Seller to complete cross collateral workbook and upload to Verus portal.
- Mixed transactions (i.e., Purchase, Cash-out) permitted, however, eligibility/pricing is based upon most conservative transaction type.
- DSCR: A Loan DSCR and Property DSCR is required to be calculated.
- The maximum loan term cannot exceed 30 years.
- Loan DSCR:
 - Minimum loan DSCR is 1.20.
 - Loan DSCR is calculated as follows:
 - Total of gross rental income for all properties/loan PITIA.
- Property DSCR:
 - Minimum DSCR requirements for each property:
 - Amortizing payment – 1.00
 - Interest Only – 1.20
 - Property DSCR is calculated as follows:
 - Rental income per property/Allocated loan amount PITIA
 - Rental income documentation/determination – see [Section 2.8.2 - 1-4 Family Residential Property](#)
- Property Count: Minimum – 3; Maximum – 25
- Partial Release: 120% of the allocated balance required to be paid to obtain a partial release.
- Prepayment Penalties: Required subject to State eligibility restrictions.
 - The prepayment penalty is assessed when:
 - The loan prepays in full during the prepay period; or

- A partial release payment is made during the prepay period. The prepay penalty amount is based upon the release price.
- Acceptable structures include the following:
 - 5% fixed up to 5-years
 - 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%)
- Cash Out Seasoning – Property value based upon the lower of acquisition cost plus documented improvements or current appraised value for any property acquired within 6-months of the note date.
- Eligible Borrower Types – Vesting permitted as follows:
 - Individual(s): U.S. Citizen or Permanent Resident (See [2.3.1 Citizenship](#))
 - Entities: Limited Liability Company, Partnership, or Corporation (See [Section 2.3.6.2 Vesting For Business Purpose Loans](#))
 - Foreign Nationals: See [Section 2.3.2 – Foreign National](#)
- Closing Documentation – The Verus Business Purpose documents or a similar commercial style closing documents must be utilized.
- Cross Collateral loans cannot be originated or assigned to MERS.
- For Pre-Close and Funding fees, see [Section 1.8.1.4 – Fees](#).

2.8.4.2 APPRAISAL REQUIREMENTS (12/12/2022)

- **1-4 Units**
 - See Appraisal Requirements for 1-4 Unit Residential in [Section 2.9.1.1 - Appraisal Requirements 1-4 Unit Residential](#) for complete criteria.
 - Review product required: SSR with a score of 2.5 or less, CDA, ARA, or ARR

2.8.4.3 GROSS RENT DOCUMENTATION REQUIREMENTS (04/25/2022)

- Purchase
 - FNMA Form 1007, if applicable.
 - Existing lease agreement(s), if applicable.
 - If the existing lease is being transferred to the borrower, the Seller must verify that it does not contain any provisions that could affect the first lien position of the subject property.
- Refinance
 - FNMA Form 1007, if applicable.
 - Existing lease agreement(s), if applicable.
 - If subject property leased on a short-term basis is utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is actively marketed as a short-term rental. A 5% LTV reduction is required when using short term rental income to qualify.

2.8.4.4 DEBT SERVICE COVERAGE RATIO (DSCR) – CALCULATION REQUIREMENTS (12/12/2022)

- Leased property: DSCR is based upon the contracted monthly rent amount from the lease:
 - A property is considered Leased” when there is an executed long term (Min. 12-months) lease agreement between the lessor and lessee.
 - Most recent two months of rent payment per lease agreement is required.

- Unleased and vacant property: DSCR is based upon the estimate of the monthly rent of the subject. The final reconciliation of Market Rent must be based on a 12-month rent schedule.
 - A property is considered unleased and vacant when no long term executed lease is in place. The Borrower should provide the cause of vacancy (Letter of Explanation) for refinance transactions, such as recently completed renovation, tenant turnover, etc.
- Vacancies
 - 1-4 Units – Vacant unit qualify at 75% of market rent (Maximum 1 vacancy).

2.8.4.4.1 ELIGIBLE TENANT:

- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the properties.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding.
- Borrower(s) must attest that all tenants are non-borrower affiliated.

2.8.4.4.2 LEASE AND OCCUPANCY REQUIREMENTS

- All units must be residential units that are currently occupied and leased to tenants, except that up to 10% of the units for a loan may be comprised of units which are currently vacant, but in lease-ready condition. Notwithstanding the foregoing, for portfolios of less than 10 units, up to one (1) unit may be vacant in the normal course of lease turnover.
- All properties must be either leased to an eligible tenant or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease Agreements that allow Single Room Occupancy (SRO), or boarder leases are not permitted.
- Third-party sale-and-leaseback agreements and contract for deed transactions will not be permitted.
- Leases must be in U.S. dollars.

2.8.4.5 ASSETS (12/12/2022)

For asset documentation requirements, follow Investor Solutions - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

2.9 PROPERTY ELIGIBILITY (06/21/2021)

2.9.1 APPRAISALS

2.9.1.1 APPRAISAL REQUIREMENTS 1-4 UNIT RESIDENTIAL (07/15/2024)

Verus reserves the right to review all valuation reports and determine if the subject property value is supported.

Appraisers must meet all industry standards and be State Certified. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae® guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value. Verus reserves the right to restrict the use of any specific appraiser and/or appraisal management company at its discretion.

Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan. For guidance in the manual review of an appraisal report, see the [Appraisal Review Guide](#).

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report – Fannie Mae®/Freddie Mac Forms 1004/70
- Small Residential Income Property Report – Fannie Mae®/Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report – Fannie Mae®/Freddie Mac Forms 1073/465
- Appraisal Update and/or Completion Report – Fannie Mae®/Freddie Mac Forms 1004D/442
- Single Family Comparable Rent Schedule – Fannie Mae®/Freddie Mac Forms 1007/1000

Sellers must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company (AMC) that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR-compliant process.

2.9.1.1.1 APPRAISER LICENSE AND CERTIFICATION (04/25/2022)

The appraisal report forms identify the appraiser as the individual who:

- Performed the analysis, and
- Prepared and signed the original report as the appraiser.

This does not preclude appraisers from relying on individuals who are not state-licensed or state-certified to provide significant professional assistance, such as an appraiser trainee.

Supervisory Appraiser (07/15/2024)

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 form 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 (07/15/2024)

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.

2.9.1.1.2 APPRAISAL AGE (08/29/2022)

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 the results of the analysis must be reported on the Appraisal Update and/or Completion Report (FNMA Form 1004D).

- If the appraiser indicates on FNMA Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.
- If the appraiser indicates on FNMA Form 1004D that the property value has *not* declined, then the seller may proceed with the loan in process without requiring any additional fieldwork.

Not eligible for Verus purchase: Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. Verus will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

2.9.1.1.3 SECOND APPRAISAL (12/13/2021)

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

- The loan balance exceeds \$2,000,000 for either a single property loan or the allocated loan balance of a property within a cross-collateral loan.
 - (2nd appraisal not required when Form 71A Multifamily or a commercial narrative report utilized).
- The transaction is a flip as defined in the Property Flips section of this guide.
- As required under the Appraisal Review Products section of this guide.

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.

2.9.1.1.4 APPRAISAL EVALUATION (2/26/2024)

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 (10/16/2023)

- 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." These items must be reflected in the appraiser's opinion of value.
- 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, the Seller must obtain a certificate of completion from the appraiser before the mortgage is delivered to Verus.
- 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 heat source and has no adverse effect on marketability.

Subject Section

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12-months prior to the effective date of the appraisal. If the answer is 'No,' the data source(s) used must be provided. If the answer is 'Yes,' the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s).
- Offering date(s).
- Data source(s) used. For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

Actual and Effective Ages

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Seller should pay particular attention to the condition of the subject property in its review of any appraisal report. When the appraiser adjusts for the “Year Built,” he or she must explain those adjustments.

Accessory Dwelling Units (ADU) (10/16/2023)

Verus will purchase a one-unit property with an accessory dwelling unit (ADU). 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 with an accessory unit
 - 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 accessory 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: User the lower of the market rent on FNMA Form 1007 or actual rent.

Outbuildings

A Seller must give properties with outbuildings special consideration in the appraisal report review 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. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

Solar Panels (2/26/2024)

Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered personal property and not be included in the appraised value of the property. See [Section 1.8.2.11 – Solar Panels](#) for additional criteria.

Transfer of Appraisal (2/26/2024)

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

2.9.1.2 APPRAISAL REQUIREMENTS 5-8 RESIDENTIAL AND 2-8 MIXED USE

2.9.1.2.1 APPRAISAL AGE (07/15/2024)

Appraisals dated fewer than 120 days prior to the Note date are acceptable. After 120 days, a new appraisal is required.

2.9.1.2.2 5-8 UNIT RESIDENTIAL PROPERTIES (07/10/2023)

A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

One of the following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties;
or
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

2.9.1.2.3 2-8 MIXED USE PROPERTIES (10/16/2023)

Commercial use is limited to retail, office space, or restaurants. Residential or commercial zoning acceptable.

One of the following appraisal reports are acceptable:

- General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode); **or**
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

Regardless of the report type, the following are required:

- A full interior inspection with photos is required for all units.
- Commercial space must not exceed 49% of the total building area.
- The sales comparison approach should be used as the appraised value.

Appraisal Attachments Required (07/15/2024)

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Appraiser qualifications

2.9.1.2.4 PROPERTY CONDITION

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

2.9.1.3 APPRAISAL REVIEW REQUIREMENTS

2.9.1.3.1 APPRAISAL REVIEW PRODUCTS 1-4 RESIDENTIAL PROPERTY (07/15/2024)

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an “as is” value for the subject property (the “Appraisal Review Value”) as of the date of the subject loan transaction.

The following options are eligible review products:

- The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR).

(Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less). If the score exceeds 2.5, the file must include either an enhanced desk review, AVM, field review, or second appraisal.

- An enhanced desk review product from one of the following choices:
 - ARR from Stewart Valuation Intelligence FKA Pro Teck
 - CDA from Clear Capital
 - ARA from Computershare
 - CCA from Consolidated Analytics
 - VRR from Homegenius Real Estate
 - Valreview Appraisal Review Value from Valligent (Veros Software Company)
- If the enhanced desk review product reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.
- AVM from an approved vendor dated within 90-days of the Note date, with the following:
 - Acceptable FSD score range
 - 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 enhanced desk review product, field review, or a second appraisal. These may not be from the same appraiser or appraisal company as the original report.

AVM Vendors (07/15/2024)

THE FOLLOWING AVM VENDORS ARE ACCEPTABLE:	
AVM Vendor	Acceptable FSD Score Range
Clear Capital	0.00 to 0.13
Collateral Analytics	0.00 to 0.10
House Canary	0.00 to 0.10
Red Bell Real Estate (Homegenius)	0.00 to 0.10

2.9.1.3.2 APPRAISAL REVIEW PRODUCT 5-8 RESIDENTIAL AND 2-8 MIXED USE (04/03/2023)

- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.
- In Pennsylvania and North Carolina, a commercial evaluation product is used instead of the BPO product.

2.9.1.4 MINIMUM PROPERTY REQUIREMENTS (12/13/2021)

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-8 Units 400 sq. ft per individual unit

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 contain any health or safety issues.

2.9.1.5 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.

2.9.1.6 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase. Verus will not acquire any loan with an escrow holdback.

2.9.1.7 DECLINING MARKETS (07/15/2024)

The loan transaction is subject to an LTV/CLTV cap, program specific, if the property is in a declining market. Declining markets are determined by a) property location in a State identified by Verus, or b) the appraisal report reflects a declining market under housing trends. State eligibility is referenced on the Loan LTV Matrices. The program specific LTV/CLTV caps are as follows:

- Prime Ascent Plus
 - 85% LTV Purchase
 - 75% LTV Refinance
- Prime Ascent
 - 85% LTV Purchase
 - 80% Refinance
- Credit Ascent
 - 80% LTV Purchase
 - 75% LTV Refinance
- Investor Solutions – DSCR
 - 75% LTV Purchase
 - 70% LTV Refinance
- 5-8 Multi/2-8 Mixed Use, Cross-Collateral, Foreign National
 - Maximum LTVs don't require a market adjustment

2.9.2 PROPERTY TYPES

2.9.2.1 ELIGIBLE PROPERTIES (07/15/2024)

- Single Family Detached
- Single Family Attached
- Planned Unit Development (PUD)
 - Single Family Detached homes with PUD riders
- De minimus Planned Unit Development (dPUD)
 - PUD with “de minimus” monthly HOA dues
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)
- 2-8 Mixed Use (DSCR only)
 - 2-3 Units: Max 1 commercial Unit
 - 4-5 Units: Max 2 commercial Units
 - 6-8 Units: Max 3 commercial Units
- Condominium (See [Section 2.9.10 - Condominiums Projects](#) for complete condominium eligibility criteria)
- Condo hotels (See [Section 2.9.10.3 - Condominium Hotels](#) for complete condominium eligibility criteria)
- Modular homes
- Properties of 20 acres or less
- Leaseholds (in areas where leaseholds are common)

2.9.2.1.1 TILA HIGHER PRICED MORTGAGE LOANS (HPML) APPRAISAL RULE 1026.35(A)(1) (PROPERTY FLIPS) (07/10/2023)

- Applies to covered HPML transactions.
 - Qualified Mortgages (QM) are excluded.
- 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. 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 became 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 the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

2.9.2.2 INELIGIBLE PROPERTIES (2/26/2024)

- 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
- Properties with agricultural features (e.g., vineyards, farms, ranches, orchards, equestrian facilities)
- Manufactured or Mobile homes
- Units subject to timeshare arrangements
- Properties with fractional ownership
- Units in a Co-op development
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties used as healthcare facilities (e.g., 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 properties
- Properties on Native American Land (Reservations)
- Log homes that are not common to 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 a rural location; or
 - The following two (2) conditions exist:
 - The property is located on an unpaved road, and
 - Two of the three comparable properties are more than five (5) miles from the subject property.

2.9.3 ACREAGE LIMITATIONS (06/21/2021)

- A maximum of 20 acres (DSCR transactions limited to 2 acres)
- No truncating allowed

2.9.4 STATE ELIGIBILITY

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

2.9.5 TEXAS HOME EQUITY LOANS 50(A)(6)

A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in the Texas Constitution. Sellers should not rely on Verus Mortgage Capital categorization of refinance loans for purposes of determining whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

2.9.6 NEW YORK – CEMA

Consolidation, Extension, and Modification Agreement (CEMA) may be utilized for refinance transactions secured by property located in the State of New York. Attorney's experienced in reviewing and preparing CEMA documentation should be utilized. See specific requirements in [Section 1.8.1.2.1 - CEMA Documentation](#).

2.9.7 LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Seller's title policy.

The Seller must provide documentation and leaseholds must meet all Fannie Mae® eligibility requirements (i.e., term of lease).

2.9.8 VERUS EXPOSURE – BORROWER LIMITATIONS (08/29/2022)

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.

2.9.9 DISASTER AREAS (07/15/2024)

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas for Individual Assistance, 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.

2.9.9.1 APPRAISAL COMPLETED PRIOR TO DISASTER (07/15/2024)

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 as the previous inspection, and the marketability and value remain the same.
- Inspection Report must include new photographs of the subject property and street view, through one of the following:
 - FNMA Form 1004D, or
 - Post Disaster Inspection (PDI) Report, see [Section 2.9.9.4 – Post Disaster Inspection Report](#).
- Any damage must be repaired and re-inspected prior to purchase.

2.9.9.2 APPRAISAL 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.

2.9.9.3 DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE (07/10/2023)

A loan is ineligible for purchase until an inspection is obtained based on the following:

- A Post Disaster Inspection (PDI) Report from a third-party vendor (i.e., Clear Capital, Stewart/Pro Teck) may be used, see [Section 2.9.9.4 – Post Disaster Inspection Report](#).
- If subject property is free of damage, nothing further is required.
- Any indication of damage reflected in 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.

2.9.9.4 POST DISASTER INSPECTION REPORT (PDI) REQUIREMENTS (07/15/2024)

- Inspection must be from a third-party vendor (e.g., Clear Capital, Stewart/Pro Teck)
- 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.

2.9.10 CONDOMINIUM PROJECTS (2/26/2024)

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 condominium 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 are met:
 - Project is not ineligible. See [Section 2.9.10.4 - Ineligible Projects](#).
 - Evidence of sufficient hazard, flood, and walls-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 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 for purchase. 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
 - Are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; **or**
 - Has improvements in need of 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 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).
- 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 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.
 - 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 ineligible
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.

- Verus project exposure maximum shall be \$5,000,000 or 20% of the total units in a 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/CLTV. 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 condominium/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 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.
- Borrower 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.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

2.9.10.1 ESTABLISHED PROJECTS (06/21/2021)

- 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.

2.9.10.2 NEW OR NEWLY CONVERTED PROJECTS (2/26/2024)

- 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 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.

2.9.10.3 CONDOMINIUM HOTELS (10/16/2023)

- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
 - 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, or Investment.
 - Maximum LTV/CLTV (may vary by product – see Loan/LTV matrix)
 - Maximum Loan Amount:
 - Prime Ascent/Credit Ascent: \$2.5 million
 - Investor Solutions DSCR: \$1.5 million
 - 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
 - Fully functioning kitchen – appliances to include a refrigerator and cooktop/stove/oven
 - Separate 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 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.
 - 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 ineligible

2.9.10.4 INELIGIBLE PROJECTS (10/16/2023)

- 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 project.
- 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 a 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.

2.9.10.5 CONDOMINIUM INSURANCE REQUIREMENTS (2/26/2024)

Project to meet all Fannie Mae® insurance requirements for property, liability, and fidelity coverage.

2.9.10.5.1 MASTER INSURANCE (07/15/2024)

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. In that case, the individual property insurance policy must meet the requirements in [Section 1.8.2.7.1 - Hazard Insurance Requirements](#).

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 master insurance policy.

Fidelity or 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.

2.9.10.5.2 HO-6

Borrowers must carry HO6 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 an amount as established by the HO-6 insurer.

2.9.10.5.3 DEDUCTIBLE

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

2.9.10.5.4 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 times \$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.

CHAPTER 3 - CLOSED END SECOND ELIGIBILITY

Closed End Second loans submitted to Verus must meet the eligibility criteria of the current published Non-Agency Guide. Non-Agency loans submitted to Verus must meet the criteria of the current published Eligibility Guide as of the Verus loan lock date for review.

Follow policy and procedures, reference [Chapter 1 – Doing Business with Verus](#).

3.1 PROGRAM MATRICIES

LOAN AMOUNT/CREDIT SCORE/CLTV MATRIX				
Standard Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	90	80	75
	700	85	80	65
	680	75	75	NA
\$500,000	740	85	75	75
	700	85	75	65
	680	75	70	NA
Alt Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	85	75	70
	700	80	70	60
	680	75	65	NA
\$500,000	740	80	70	65
	700	75	65	60
	680	70	60	NA

3.2 ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Verus:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
10 YR FIXED	Note Rate	120	NA	120	NA	NA
15 YR FIXED	Note Rate	180	NA	180	NA	NA
20 YR FIXED	Note Rate	240	NA	240	NA	NA
25 YR FIXED	Note Rate	300	NA	300	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA

3.3 LOAN AMOUNTS

- Minimum: \$75,000
- Maximum: \$500,000

3.4 COMBINED LOAN BALANCE (2/26/2024)

- The CLTV of the combined loan balances are restricted as follows:
 - Combined loan balance > \$2,000,000 – maximum 80% CLTV
 - Combined loan balance > \$3,000,000 – maximum 75% CLTV
- Maximum combined loan balance for all liens not to exceed \$4,000,000

3.5 MINIMUM CREDIT SCORE

- Minimum: 680

3.6 STATE ELIGIBILITY RESTRICTIONS

The maximum CLTV is limited to 80% if either or both of the following apply:

- Appraisal report identifies the property as a declining market
- Subject property is in a state identified on the Loan LTV Matrix

3.7 QUALIFYING PAYMENT (2/26/2024)

Qualifying DTI includes the Principal and Interest payment of the subject loan and any existing or new first lien payment. Qualifying payment to be determined with the following:

- First lien Principal and Interest payment
 - Transaction Type:
 - **Stand-alone:** Utilize mortgage payment from credit report
 - **Simultaneous:** Utilize the 1st lien qualifying method as follows
 - Fixed rate: Note rate amortized over the total term
 - a. 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
 - a. Interest Only: Qualifying rate amortized over the remaining term after the expiration of the interest only period
- Subject loan Principal and Interest Payment based upon the note rate
- Hazard Insurance Premium
- Flood and Other Insurance Premiums, as applicable
- Real Estate Taxes
- Association Dues

3.8 FIRST LIEN DOCUMENTATION REQUIREMENTS (2/26/2024)

Verify the 1st lien P&I payment with all the following:

- Copy of 1st lien Note
 - Default interest rate on Note cannot exceed Note rate
 - If Interest Only and/or ARM, terms of the Note to be reviewed (See DTI Requirements)
- Copy of most recent monthly mortgage payment statement
 - Utilized to determine if payment includes escrows (See DTI Requirements)

3.9 INELIGIBLE FIRST LIENS (2/26/2024)

First liens with the following high-risk features are not eligible:

- Loans in active forbearance or deferment
- Forbearance, modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12-months of the Note date
- Negative amortization payment including loans with Paid-In-Kind (PIK) features
- Balloon term, if the balloon payment becomes due during the amortization period of the new 2nd lien
- Reverse Mortgages
- First liens for the subject property not reporting on credit report are ineligible
 - e.g., Private party mortgages including any loan not reporting on the credit report
- Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages
- Home Equity Line of Credit
- Note terms that include a default interest rate greater than the Note rate

3.10 AGE OF DOCUMENT REQUIREMENTS

3.10.1 CREDIT REVIEW DOCUMENTATION

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification/pay stubs
- Mortgage/rental verification
- Asset documents/bank statements
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title Commitment/Preliminary Report/Binder
- Owner & Encumbrance Report (O&E)

Any credit review documents exceeding these timeframes must be updated.

3.10.2 APPRAISAL

- Full Appraisal (FNMA Form 1004/1025/1073) and Exterior Drive-By Appraisal (Hybrid/2055/1073) must be dated within 365 days of the Note date.
- Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in [Section 2.9.1.1 – Appraisal Requirements 1-4 Unit Residential](#).
- AVMs must be dated within 90-days of the Note date.

3.11 BORROWER ELIGIBILITY

3.11.1 ELIGIBLE BORROWERS (07/15/2024)

- U.S. Citizens, see First Lien criteria [Section 2.3.1.1 – US Citizens](#)
- Permanent Resident Aliens, see First Lien criteria [Section 2.3.1.2 – Permanent Resident Alien](#)
- Non-Permanent Resident Aliens, see First Lien criteria [Section 2.3.1.3 – Non-Permanent Resident Alien](#)
 - Max CLTV 80%

3.11.2 INELIGIBLE BORROWERS (2/26/2024)

- Foreign Nationals
- Non-occupant co-borrowers
- First time homebuyers
- Borrowers with diplomatic immunity, as defined by US Citizenship and Immigration Services
- Persons sanctioned by OFAC
- 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.
- Not-For-Profit entity

3.11.3 TITLE VESTING AND OWNERSHIP (2/26/2024)

Subject property must be owned a minimum of 6 months to be eligible, as measured from acquisition date to the date of the new note.

3.11.3.1 VESTING FOR CONSUMER AND BUSINESS PURPOSE LOANS

Ownership must be fee simple. Leaseholds are not eligible.

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust
- Illinois Land Trust

Ineligible forms of vesting are:

- Land Trust
- Blind Trust
- Irrevocable Trust
- IRAs
- Not-For-Profit entity

3.11.3.1.1 INTER VIVOS REVOCABLE TRUST

See First Lien criteria, [Section 2.3.6.1.1 – Inter Vivos Revocable Trust](#)

3.11.3.2 VESTING FOR BUSINESS PURPOSE LOANS (INVESTMENT OCCUPANCY) (2/26/2024)

A Business Purpose Loan where the borrower is an entity is limited to the following structures: Limited Liability Company (LLC), Partnership, and Corporation.

See First Lien criteria, Section [2.3.6.2 – Vesting For Business Purpose Loans](#).

3.11.3.2.1 ENTITY DOCUMENTATION REQUIREMENTS

See First Lien criteria, [Section 2.3.6.2.2 – Entity Documentation Requirements](#).

3.11.3.3 POWER OF ATTORNEY

Power of Attorney is not eligible.

3.11.4 OCCUPANCY TYPES

See First Lien criteria, [Section 2.3.7 – Occupancy Types](#).

3.11.5 BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the [Occupancy Certification](#) of this guide.

3.12 TRANSACTION TYPES

3.12.1 ELIGIBLE TRANSACTIONS

3.12.1.1 Simultaneous Purchase

See First Lien criteria, [Section 2.4.1.1 – Purchase](#).

3.12.1.2 STAND ALONE CASHOUT

Any transaction not used to purchase the subject property is considered cashout.

- Subject property must be owned a minimum of 6 months to be eligible, as measured from acquisition date to the date of the new note.
- Loans not eligible for cash-out:
 - Primary Residence, Second Home, or Non-Owner Occupied properties listed for sale in the past six (6) months.
 - There has been a prior cash-out transaction within the past six (6) months
 - Lien Free Properties – If the subject property is lien free, including delayed financing, ineligible
 - Frequent Refinances – Two (2) or more cash out refinances in the past twelve (12) months
 - All existing subordinate liens must be satisfied. No resubordinating permitted.
 - Payoff of a Land Contract/Contract for Deed.
 - If the cash-out seasoning is less than 12-months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.

3.12.2 NON-ARM'S LENGTH TRANSACTIONS

See First Lien criteria, [Section 2.4.3 – Non-Arm's Length Transactions](#).

3.12.3 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

See First Lien criteria, [Section 2.4.4 – Interested Party Contributions](#).

3.12.4 ESCROWS – IMPOUND ACCOUNTS

- Escrow accounts are not required on second lien products.
- If the property is located in a flood zone, evidence of flood insurance is required.

3.12.5 SUBORDINATE FINANCING (2/26/2024)

All existing subordinate liens must be satisfied except for solar panel liens/UCCs (restrictions apply, see [Section 1.8.2.11 – Solar Panels](#)).

3.12.6 PREPAYMENT PENALTY

Prepayment penalty is not required.

3.13 CREDIT

3.13.1 CREDIT REPORTS

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a tri-merged credit report, or a Residential Mortgage Credit Report is required.

The credit report used to evaluate a loan may not reflect a security freeze. Any frozen credit must be unlocked, and a new credit report (tri-merge or Residential Mortgage Credit Report) must be obtained to reflect current and updated information from all repositories.

3.13.2 GAP CREDIT REPORTING

Gap Credit Reporting is required. See First Lien criteria, [Section 2.5.2 – Gap Credit Reporting](#).

3.13.3 FRAUD REPORT AND OFAC SEARCH (07/15/2024)

- Fraud Report: See First Lien criteria, [Section 2.5.3.1 – Fraud Report](#) for additional requirements.
- OFAC SDN search - Individuals: See First Lien criteria, [Section 2.5.3.2.1 – OFAC Search for Individuals](#) for additional requirements.

3.13.4 CREDIT INQUIRIES

Credit inquiries are to be addressed. See First Lien criteria, [Section 2.5.4 – Credit Inquiries](#).

3.13.5 HOUSING HISTORY

First liens for the subject property not reporting on credit report are ineligible.

3.13.5.1 MORTGAGE(S) ON CREDIT REPORT

The seller must review the credit report to determine the payment status of all reported mortgage accounts for all real estate owned 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 complete 12-month mortgage history is not reported on the credit report, the seller must use one of the following to complete the borrower's payment history for all real estate owned:

- Credit supplement; or
- Request for Verification of Mortgage Form completed by the creditor; or
- Loan payment history from the servicer; or
- Borrower's proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

3.13.5.2 MORTGAGE(S) NOT REPORTING ON CREDIT REPORT

- First liens for the subject property not reporting on credit report are ineligible.
- Other real estate owned, see [Section 2.5.5 – Housing History](#).

3.13.6 CONSUMER CREDIT

See First Lien criteria, [Section 2.5.6 – Consumer Credit](#).

3.13.7 BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

- Bankruptcy must be completed a minimum of 48 months.

3.13.8 FORECLOSURE SEASONING

Recent foreclosures are not allowed. The length of time is measured from the settlement date to the Note date.

- Foreclosures must be completed a minimum of 48 months.
- 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.

3.13.9 SHORT SALE / DEED-IN-LIEU SEASONING

Recent short sales/deed-in-lieu of foreclosures are not allowed. The length of time is measured from the deed date to the Note date.

- Short sales/deed-in-lieu of foreclosures must be completed a minimum of 48 months.
- 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 discharge of bankruptcy and the short sale/deed-in-lieu completion date.

3.13.10 FORBEARANCE, MODIFICATION, OR DEFERRAL (2/26/2024)

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12-months from Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated greater than 12-months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed.

Within 12-months of Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated within 12-months of the Note date of the subject transaction are not eligible.

3.13.11 CREDIT SCORE AND TRADELINES

See First Lien criteria, [Section 2.5.11 – Credit Score](#) and [Section 2.5.12 – Tradelines](#).

3.13.12 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

See First Lien criteria, [Section 2.5.13 – Obligations Not Appearing on Credit Report](#).

3.14 ASSETS

THE FOLLOWING APPLY TO SIMULTANEOUS PURCHASE TRANSACTIONS.

3.14.1 ASSET REQUIREMENTS

Acceptable asset documentation is required to be included in each loan file for simultaneous seconds. The borrower must meet the minimum contribution amount per program requirements for the first lien. Assets should be liquid or able to be liquidated without restriction by the borrower. 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.

3.14.2 ASSET DOCUMENTATION (2/26/2024)

See First Lien criteria, [Section 2.6.2 – Asset Documentation](#).

3.14.3 RESERVES

- Simultaneous Transactions: Follow First lien requirements
- Stand-Alone Transactions: Reserves are not required.

3.15 INCOME

3.15.1 INCOME ANALYSIS

See First Lien criteria, [Section 2.7.1 – Income Analysis](#).

3.15.2 DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Verus guidelines and the inclusion of all income and liability expenses. See the most recent program matrix for applicable details.

- Maximum DTI ratio:
 - 50% DTI for CLTV less than or equal to 80%
 - 45% DTI for CLTV greater than 80%

3.15.3 DOCUMENTATION OPTIONS

See First Lien criteria, [Section 2.7.4 – Documentation Options](#).

3.15.4 STANDARD DOCUMENTATION

See First Lien criteria, [Section 2.7.5 – Standard Documentation](#).

3.15.5 ALT DOC BANK STATEMENTS (2/26/2024)

See First Lien criteria, [Section 2.7.6 – Alt Doc Bank Statements](#).

3.15.6 ALT DOC – RENTAL INCOME

See First Lien criteria, [Section 2.7.7 – Alt Doc Rental Income](#).

3.15.7 ALT DOC - IRS FORM 1099

See First Lien criteria, [Section 2.7.9 – Alt Doc IRS Form 1099](#).

3.15.8 DESKTOP UNDERWRITER (DU) AND LOAN PROSPECTOR (LP)

- Simultaneous purchase transactions only
- Findings permitted to be used for income, asset, and liability documentation
 - Appraisal must follow the requirements of this Closed End Second program
 - Appraisal waiver option from DU or LP findings not eligible
 - Max DTI based upon CLTV restrictions for this Closed End Second program

3.16 PROPERTY ELIGIBILITY

3.16.1 APPRAISALS

When a full appraisal is utilized for the value determination, see First Lien criteria, [Section 2.9.1.1 – Appraisal Requirements 1-4 Unit Residential](#) for questions or requirements.

3.16.1.1 APPRAISAL REQUIREMENTS (07/15/2024)

Primary and secondary valuation products are required. Primary valuation products are referenced below. See [Section 3.16.1.3 Appraisal Review Products 1-4 Residential Property](#) for eligible valuation products.

HPML loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance.

Loan Amount <=\$250,000 (One of the following required)

- AVM from approved vendor, dated within 90-days of the Note date, and a new Property Condition Report with acceptable findings, or
- Exterior Drive-By appraisal (Hybrid or 2055 or 1075), or
 - One (1) unit property, with or without an accessory dwelling unit
- New Appraisal (FNMA Form 1004/1025/1073), or
- Prior 1st lien appraisal dated within 12-months of subject loan Note date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by the original appraiser.
- Broker Price Opinion (BPO) from one of the following:
 - Clear Capital, or
 - Consolidated Analytics, or
 - Computershare, or
 - Stewart Valuation Intelligence

Loan Amount >\$250,000 (One of the following required)

- New Appraisal (FNMA Form 1004/1025/1073), or

- Prior 1st lien appraisal dated within 12-months of subject loan Note Date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by original appraiser, and
 - AVM within 90-days of the Note date from approved vendor.
 - The lower of the Prior Appraisal value or the current AVM will be used to determine CLTV.

3.16.1.1.1 AVM VENDORS (07/15/2024)

THE FOLLOWING AVM VENDORS ARE ACCEPTABLE:	
AVM Vendor	Acceptable FSD Score Range
Clear Capital	0.00 to 0.13
Collateral Analytics	0.00 to 0.10
House Canary	0.00 to 0.10
Red Bell Real Estate (Homegenius)	0.00 to 0.10

3.16.1.1.2 PROPERTY CONDITION REPORTS

When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property's physical condition and characteristics.

3.16.1.2 TRANSFER OF APPRAISAL (2/26/2024)

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

3.16.1.3 APPRAISAL REVIEW PRODUCTS 1-4 RESIDENTIAL PROPERTY (07/15/2024)

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an "as is" value for the subject property (the "Appraisal Review Value") as of the date of the subject loan transaction.

- The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). (Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less). If the score exceeds 2.5, the file must include either an enhanced desk review, field review, or second appraisal; or
- An enhanced desk review product from one of the following choices:
 - ARR from Stewart Valuation Intelligence FKA Pro Teck
 - CDA from Clear Capital
 - ARA from Computershare
 - CCA from Consolidated Analytics
 - VRR from Homegenius Real Estate
 - Valreview Appraisal Review Value from Valligent (Veros Software Company)

- If the enhanced desk review or BPO product reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.
- AVM within 90-days of Note date (If primary valuation based on an AVM, review must be a different vendor)
 - If two AVMs are ordered, the following apply:
 - The second AVM will be treated as the secondary valuation product and must support the primary AVM within 10%.
 - If both AVMs have the same FSD, the lower of the two property values must be utilized for determining the CLTV.
- Broker Price Opinion (BPO)
 - If two BPOs are ordered, the BPO with the lowest value will be treated as the primary valuation product.
 - If two BPOs are ordered, they must be completed by different brokers

3.16.2 MINIMUM PROPERTY REQUIREMENTS

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-4 Units 400 sq. ft per individual unit

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 contain any health or safety issues.

3.16.3 PERSONAL PROPERTY

See First Lien criteria, [Section 2.9.1.5 – Personal Property](#).

3.16.4 ESCROW HOLDBACKS

Escrow holdbacks are not allowed.

3.16.5 DECLINING MARKETS

The loan transaction is subject to a CLTV cap if the property is in a declining market. Declining markets are determined by a) property location in a State identified by Verus, or b) the appraisal report reflects a declining market under housing trends. State eligibility is referenced on the Loan LTV Matrix. The program specific CLTV cap is as follows:

- 80% CLTV Purchase and Refinance

3.17 PROPERTY TYPES

3.17.1 ELIGIBLE PROPERTIES (07/15/2024)

- Single Family Detached
- Single Family Attached
- Planned Unit Development (PUD)
 - Single Family Detached homes with PUD riders
- De minimus Planned Unit Development (dPUD)
 - PUD with “de minimus” monthly HOA dues
- 2-4 Unit residential properties
- Condominium (See [Section 2.9.10 - Condominium Projects](#) for complete condominium eligibility criteria)

3.17.1.1 TILA HIGHER PRICED MORTGAGE LOANS (HPML) APPRAISAL RULE 1026.35(A)(1) (PROPERTY FLIPS)

See First Lien criteria, Section [2.9.2.1.1 – TILA Higher Priced Mortgage Loans](#).

3.17.1.2 INELIGIBLE PROPERTIES (2/26/2024)

See First Lien criteria, Section [2.9.2.2 – Ineligible Properties](#).

3.17.2 ACREAGE LIMITATIONS

See First Lien criteria, [Section 2.9.3 – Acreage Limitations](#).

3.17.3 STATE ELIGIBILITY

- Not Eligible:
 - Texas
 - Territories: Puerto Rico, Guam, & the US Virgin Islands
- Restricted:
 - CT, IL, NJ, NY (Max CLTV 80%, Min FICO 720)

3.17.3.1 NEW YORK – CEMA

Consolidation, Extension, and Modification Agreement (CEMA) not eligible.

3.17.4 TITLE REQUIREMENTS (2/26/2024)

- **For loan balances less than or equal to \$250,000**, provide one of the following:
 - Owner and Encumbrance Report (O&E), to include:
 - Current Grantee / Owner
 - How property was conveyed to current owner
 - Liens (e.g., mortgage, UCC, other financing)
 - Involuntary liens and judgements
 - Property Tax Information with break-down of all taxes including special assessments
 - Legal Description
 - ALTA Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy
- **For loan balances greater than \$250,000**, provide one of the following:
 - ALTA Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy

3.17.5 SOLAR PANEL REQUIREMENTS (2/26/2024)

3.17.5.1 PROPERTIES WITH SOLAR PANELS

Solar panels are allowed unless they are financed through PACE, HERO, or equivalent. See criteria in [Section 1.8.2.11 – Solar Panel Requirements](#).

3.17.6 LEASEHOLD PROPERTIES

Leasehold properties are not eligible.

3.17.7 VERUS EXPOSURE – BORROWER LIMITATIONS

See First Lien criteria, [Section 2.9.8 – Borrower Limitations](#).

3.17.8 PROPERTY INSURANCE

- Hazard insurance coverage must provide for claims to be settled on a replacement cost basis
 - See First Lien [Section 1.8.2.7 – Property Insurance](#) for additional clarification
- Loss payee clause must reflect seller as additional insured

3.17.9 FLOOD INSURANCE

- Flood determination required for every loan file
- Properties within a flood zone require evidence of insurance coverage in accordance with the HFIAA
 - See First Lien [Section 1.8.2.9 – Flood Insurance](#) for additional clarification
- Loss payee clause must reflect seller as additional insured

3.17.10 DISASTER AREAS (07/15/2024)

- If a full appraisal is utilized (e.g., form 1004, 1073, 1025), see First Lien criteria [Section 2.9.9 – Disaster Areas](#).
- If other appraisal products (e.g., exterior-only form 2055/2075, AVM, BPO) are completed before the disaster, provide a Post Disaster Inspection Report (PDI), see First Lien criteria [Section 2.9.9.4 – Post Disaster Inspection Report](#).
 - Any indication of damage reflected in the report will require a re-inspection.
 - The re-inspection report must be in the form of a Property Condition Report by the same vendor that provided the Post Disaster Inspection Report (PDI).
 - Property Condition Report must include an exterior photo of the subject property along with comments verifying the damage has been repaired.

3.17.11 CONDOMINIUM PROJECTS (2/26/2024)

See First Lien criteria, [Section 2.9.10 – Condominium Projects](#), [Section 2.9.10.1 – Established Projects](#), and [Section 2.9.10.2 – New or Newly Converted Projects](#).

3.17.11.1 INELIGIBLE PROJECTS

- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
- See First Lien criteria, [Section 2.9.10.4 – Ineligible Projects](#) for additional ineligible projects

3.17.11.2 CONDOMINIUM INSURANCE REQUIREMENTS

See First Lien criteria, [Section 2.9.10.5 – Condominium Insurance Requirements](#).

CHAPTER 4 - HOME EQUITY LINE OF CREDIT ELIGIBILITY

(07/15/2024)

Home Equity Line of Credit (HELOC) loans submitted to Verus must meet the eligibility criteria of the current published Verus Correspondent Non-Agency Seller Guide.

Purchase eligibility due diligence will be completed at the direction of Verus Mortgage Capital. Reliance Letter diligence is not allowed.

HPML requirements do not apply to Home Equity Lines of Credit.

Follow policy and procedures not referenced in this section, see [Chapter 1 – Doing Business with Verus](#).

4.1 PROGRAM MATRIX (07/15/2024)

LOAN AMOUNT/CREDIT SCORE/HCLTV MATRIX				
Standard Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$250,000	740	90	75	70
	700	85	75	65
	680	75	75	NA
\$350,000	740	85	75	65
	700	85	75	65
	680	75	70	NA
\$500,000	740	75	75	NA
	700	75	70	NA
	680	75	65	NA
Alt Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$250,000	740	80	75	70
	700	75	70	65
\$350,000	740	75	75	65
	700	75	70	65
\$500,000	740	75	70	NA
	700	70	65	NA

4.2 ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Verus:

PRODUCT	QUALIFYING RATE	INDEX	DRAW PERIOD	REPAYMENT TERM	TOTAL LOAN TERM
15 YR HELOC	Index plus Margin	WSJ Prime Rate	2 YEAR	13 YEARS	15 YEARS
15 YR HELOC	Index plus Margin	WSJ Prime Rate	3 YEAR	12 YEARS	15 YEARS
15 YR HELOC	Index plus Margin	WSJ Prime Rate	5 YEAR	10 YEARS	15 YEARS
20 YR HELOC	Index plus Margin	WSJ Prime Rate	2 YEAR	18 YEARS	20 YEARS
20 YR HELOC	Index plus Margin	WSJ Prime Rate	3 YEAR	17 YEARS	20 YEARS

20 YR HELOC	Index plus Margin	WSJ Prime Rate	5 YEAR	15 YEARS	20 YEARS
25 YR HELOC	Index plus Margin	WSJ Prime Rate	2 YEAR	23 YEARS	25 YEARS
25 YR HELOC	Index plus Margin	WSJ Prime Rate	3 YEAR	22 YEARS	25 YEARS
25 YR HELOC	Index plus Margin	WSJ Prime Rate	5 YEAR	20 YEARS	25 YEARS
30 YR HELOC	Index plus Margin	WSJ Prime Rate	2 YEAR	28 YEARS	30 YEARS
30 YR HELOC	Index plus Margin	WSJ Prime Rate	3 YEAR	27 YEARS	30 YEARS
30 YR HELOC	Index plus Margin	WSJ Prime Rate	5 YEAR	25 YEARS	30 YEARS

4.3 GENERAL REQUIREMENTS (07/15/2024)

- Variable Rate:
 - Index: Prime as published in the Wall Street Journal (WSJ)
 - Margin: See Rate Sheet
 - Floor Rate: 4.0
 - Maximum Rate: 18%
 - Daily Periodic Interest Rate: Index plus Margin
 - Finance Charges: Interest accrues on the day of an advance and continues until the outstanding balance is paid in full. Interest is calculated daily based upon the Daily Periodic Rate and the daily balance.
- Draw Period: 2 year, 3 year, or 5 year
- Advances:
 - Initial Advance: Minimum 75% of total line amount
 - Minimum Advance: \$1,000.00
 - Maximum Advance: Line Amount
 - Lock-out Period: Advances not available for a period of 90-days after closing to allow for servicing transfer.
 - Access to advances: Checks or phone request
- Minimum Payment:
 - Draw Period: Interest only calculation, greater of accrued interest or \$100.
 - Repayment Period: Amortizing principal and interest payment based upon the total line amount, repayment term, current rate (Index plus Margin).
- Maturity Date: 1st of the Month/Year based on total loan term.
- HELOC Agreement Fees
 - Return Check \$25.00
 - Stop Payment \$50.00
 - Annual Fee \$25.00
- Late Charge applied as follows:
 - 5% or the maximum allowed under state law, and
 - Any payment received after the 10th calendar day, or the minimum allowed under state law
- Interest Accrual – 365/365

4.4 LOAN AMOUNTS

- Minimum: \$75,000
- Maximum: \$500,000

4.5 COMBINED LOAN BALANCE

- Maximum combined loan balance for all liens not to exceed \$2,000,000

4.6 MINIMUM CREDIT SCORE

- Minimum: 680

4.7 STATE ELIGIBILITY RESTRICTIONS

The maximum HCLTV is limited to 80% if either or both of the following apply:

- Appraisal report identifies the property as a declining market
- Subject property is in a state located in the Loan LTV Matrix

4.8 QUALIFYING PAYMENT

Qualifying payment for the subject loan is calculated as follows:

- Amortizing principal and interest payment based upon the total line amount, repayment term, current rate (Index plus Margin)
 - Index: Prime rate as published in the Wall Street Journal (daily)
 - Margin: Published in the Verus rate sheet

Qualifying DTI includes the qualifying payment for the subject loan, existing first lien payment, and other monthly recurring housing expenses as follows:

- First lien Principal and Interest payment
 - 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
- Subject loan qualifying payment
- Hazard Insurance Premium
- Flood and Other Insurance Premiums, as applicable

- Real Estate Taxes
- Association Dues

4.9 FIRST LIEN DOCUMENTATION REQUIREMENTS

Verify the 1st lien P&I payment with all the following:

- Copy of 1st lien Note
 - Default interest rate on Note cannot exceed Note rate
 - If Interest Only and/or ARM, terms of the Note to be reviewed (See DTI Requirements)
- Copy of most recent monthly mortgage payment statement
 - Utilized to determine if payment includes escrows (See DTI Requirements)

4.10 INELIGIBLE FIRST LIENS

First liens with the following high-risk features are not eligible:

- Loans in active forbearance or deferment
- Forbearance, modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12-months of the Note date
- Negative amortization payment including loans with Paid-In-Kind (PIK) features
- Balloon term, if the balloon payment becomes due during the amortization period of the new 2nd lien
- Reverse Mortgages
- First liens for the subject property not reporting on credit report are ineligible
 - e.g., Private party mortgages including any loan not reporting on the credit report
- Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages
- Home Equity Line of Credit
- Note terms that include a default interest rate greater than the Note rate

4.11 AGE OF DOCUMENT REQUIREMENTS

4.11.1 CREDIT REVIEW DOCUMENTATION

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification/pay stubs
- Mortgage/rental verification
- Asset documents/bank statements
- Credit Report

The following documents may not be more than 60 days old at closing (the date the Note is signed):

- Title Commitment/Preliminary Report/Binder
- Owner & Encumbrance Report (O&E)

Any credit review documents exceeding these timeframes must be updated.

4.11.2 APPRAISAL

- Full Appraisal (FNMA Form 1004/1025/1073) and Exterior Drive-By Appraisal (2055/1073) must be dated within 120- days of the Note date.
 - New appraisal is required after 120 days. Appraisal Update 1004D (aka Recertification of Value) is not allowed.
- AVMs must be dated within 90-days of the Note date.

4.12 UNDERWRITING REQUIREMENTS

- FNMA Form 1003 – Current version of the Uniform Residential Loan Application.
- All loans must be manually underwritten. Automated underwriting is not allowed.

4.13 BORROWER ELIGIBILITY

Maximum of four (4) borrowers per loan.

4.13.1 ELIGIBLE BORROWERS

- U.S. Citizens, see First Lien criteria [Section 2.3.1.1 – US Citizens](#)
- Permanent Resident Aliens, see First Lien criteria [Section 2.3.1.2 – Permanent Resident Alien](#)

4.13.2 INELIGIBLE BORROWERS

- Non-Permanent Resident Aliens
- Foreign Nationals
- Non-occupant co-borrowers
- Borrowers with diplomatic immunity, as defined by US Citizenship and Immigration Services
- Persons sanctioned by OFAC
- Any borrowers listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list

4.13.3 TITLE VESTING AND OWNERSHIP

Subject property must be owned a minimum of 12 months to be eligible, as measured from acquisition date to the date of the new note.

4.13.3.1 VESTING FOR CONSUMER PURPOSE LOANS

Ownership must be fee simple. Leaseholds are not eligible.

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust
- Illinois Land Trust

Ineligible forms of vesting are:

- Vesting in an entity
- Blind Trust
- Irrevocable Trust
- IRAs
- Land Trust

4.13.3.1.1 INTER VIVOS REVOCABLE TRUST

See First Lien criteria, [Section 2.3.6.1.1 – Inter Vivos Revocable Trust](#)

4.13.3.2 POWER OF ATTORNEY

Power of Attorney is not eligible.

4.13.4 OCCUPANCY TYPES

See First Lien criteria, [Section 2.3.7 – Occupancy Types](#).

4.13.5 BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the [Occupancy Certification](#) of this guide.

4.14 TRANSACTION TYPES

4.14.1 ELIGIBLE TRANSACTIONS

4.14.1.1 STAND ALONE CASHOUT

Any transaction not used to purchase the subject property is considered cashout.

- Subject property must be owned a minimum of 12-months to be eligible, as measured from acquisition date to the date of the new note.
- Loans not eligible for cash-out:
 - Primary Residence, Second Home, or Non-Owner Occupied properties listed for sale in the past six (6) months.
 - There has been a prior cash-out transaction within the past six (6) months
 - Lien Free Properties – If the subject property is lien free, including delayed financing, ineligible
 - Frequent Refinances – Two (2) or more cash out refinances in the past twelve (12) months
 - All existing subordinate liens must be satisfied. No resubordinating permitted.
 - Payoff of a Land Contract/Contract for Deed.

4.14.2 ESCROWS – IMPOUND ACCOUNTS

- Escrow accounts are not required on second lien products.
- If the property is located in a flood zone, evidence of flood insurance is required.

4.14.3 SUBORDINATE FINANCING

All existing subordinate liens must be satisfied. Subordinate financing is not allowed.

4.14.4 PREPAYMENT PENALTY

Prepayment penalty is not permitted.

4.15 CREDIT

4.15.1 CREDIT REPORTS

A credit report is required for each individual borrower. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a tri-merged credit report, or a Residential Mortgage Credit Report is required. Rapid rescoring is not allowed.

The credit report used to evaluate a loan may not reflect a security freeze. Any frozen credit must be unlocked, and a new credit report (tri-merge or Residential Mortgage Credit Report) must be obtained to reflect current and updated information from all repositories.

HAWK Alert messages:

- All HAWK Alert messages must be addressed and resolved. Documentation to evidence resolution must be included in the loan file.

4.15.2 GAP CREDIT REPORTING

A gap credit report or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio.

4.15.3 FRAUD REPORT AND OFAC SEARCH (07/15/2024)

- Fraud Report: See First Lien criteria, [Section 2.5.3.1 – Fraud Report](#) for additional requirements.
- OFAC SDN search - Individuals: See First Lien criteria, [Section 2.5.3.2.1 – OFAC Search for Individuals](#) for additional requirements.

4.15.4 CREDIT INQUIRIES

Credit inquiries are to be addressed. See First Lien criteria, [Section 2.5.4 – Credit Inquiries](#).

4.15.5 HOUSING HISTORY

First liens for the subject property not reporting on credit report are ineligible.

4.15.5.1 MORTGAGE(S) REPORTING ON CREDIT REPORT

The seller must review the credit report to determine the payment status of all reported mortgage accounts for all real estate owned 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 complete 12- month mortgage history is not reported on the credit report, the seller must use one of the following to complete the borrower's payment history for all real estate owned:

- Credit supplement; or
- Request for Verification of Mortgage Form completed by the creditor; or
- Loan payment history from the servicer; or
- Borrower's proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

4.15.5.2 MORTGAGE(S) NOT REPORTING ON CREDIT REPORT

- First liens for the subject property not reporting on credit report are ineligible.
- Other real estate owned, see [Section 2.5.5 – Housing History](#).

4.15.6 CONSUMER CREDIT

See First Lien criteria, [Section 2.5.6 – Consumer Credit](#).

4.15.7 BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

- Bankruptcy must be completed a minimum of 84 months.

4.15.8 FORECLOSURE SEASONING

Recent foreclosures are not allowed. The length of time is measured from the settlement date to the Note date.

- Foreclosures must be completed a minimum of 84 months.
- 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.

4.15.9 SHORT SALE / DEED-IN-LIEU SEASONING

Recent short sales/deed-in-lieu of foreclosures are not allowed. The length of time is measured from the deed date to the Note date.

- Short sales/deed-in-lieu of foreclosures must be completed a minimum of 84 months.
- 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 discharge of bankruptcy and short sale/deed-in-lieu completion date.

4.15.10 FORBEARANCE, MODIFICATION, OR DEFERRAL (07/15/2024)

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12-months from Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated greater than 12-months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed.

Within 12-months of Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated within 12-months of the Note date of the subject transaction are not eligible.

4.15.11 MULTIPLE DEROGATORY CREDIT EVENTS

Multiple derogatory credit events require seasoning of 84 months from the most recent event.

4.15.12 LAWSUITS

If the application, title, or credit documents indicate the borrower is involved in a lawsuit or litigation, the borrower is not eligible.

4.15.13 CREDIT SCORE

Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit score requires each borrower to have a minimum of two (2) credit scores.

- Determine a representative credit score for each borrower by using the middle of three (3) credit scores or lower of the two (2) scores.
- When the loan includes more than one borrower, use the lowest representative score amongst all borrowers.
- Rapid rescoring is not allowed.

4.15.14 TRADELINES

All borrowers whose income is used to qualify for the loan must have an established credit history. An established credit history is defined as a minimum of three (3) tradelines, one currently open and active for at least 24-months based upon the credit report pull date. The other two (2) must have been reported for a minimum of 12-months but can be open or closed.

4.15.15 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

See First Lien criteria, [Section 2.5.13 – Obligations Not Appearing on Credit Report](#).

4.16 RESERVES

Reserves are not required.

4.17 INCOME

4.17.1 INCOME ANALYSIS

See First Lien criteria, [Section 2.7.1 – Income Analysis](#).

4.17.2 DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Verus guidelines and the inclusion of all income and liability expenses.

- Maximum DTI ratio:
 - 50% DTI for HCLTV less than or equal to 80%
 - 45% DTI for HCLTV greater than 80%

4.17.3 STANDARD DOCUMENTATION

See First Lien criteria, [Section 2.7.5 – Standard Documentation](#).

4.17.4 ALT DOC BANK STATEMENTS (07/15/2024)

See First Lien criteria, [Section 2.7.6 – Alt Doc Bank Statements](#).

4.17.5 ALT DOC RENTAL INCOME

See First Lien criteria, [Section 2.7.7 – Alt Doc Rental Income](#).

4.17.6 PRE-CLOSE VERIFICATION OF EMPLOYMENT

See First Lien criteria, [Section 2.7.5.3 – Employment Status](#).

4.18 PROPERTY ELIGIBILITY

4.18.1 APPRAISALS

When a full appraisal is utilized for the value determination, see First Lien criteria, [Section 2.9.1.1 – Appraisal Requirements 1-4 Unit Residential](#).

4.18.1.1 APPRAISAL REQUIREMENTS (07/15/2024)

Loan Amount ≤ \$250,000 (One of the following required)

- AVM from approved vendor, dated within 90-days of the Note date, and a new Property Condition Report with acceptable findings, or
- Exterior Drive-By appraisal (2055 or 1075), or
 - One (1) unit property, with or without an accessory dwelling unit
- New Appraisal (FNMA Form 1004/1025/1073)
- Prior 1st lien appraisal dated within 6- months of subject loan Note date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by the original appraiser.

Loan Amount > \$250,000 (One of the following required)

- New Appraisal (FNMA Form 1004/1025/1073), or
- Prior 1st lien appraisal dated within 6- months of subject loan Note date allowed subject to the following:
 - The lender on the prior appraisal must be the same as the subject loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by original appraiser, and
 - AVM within 90-days of the Note date from approved vendor.
 - The lower of the Prior Appraisal value or the current AVM will be used to determine HCLTV.

4.18.1.1.1 AVM VENDORS (07/15/2024)

THE FOLLOWING AVM VENDORS ARE ACCEPTABLE:	
AVM Vendor	Acceptable FSD Score Range
Clear Capital	0.00 to 0.13
Collateral Analytics	0.00 to 0.10
House Canary	0.00 to 0.10
Red Bell Real Estate (Homegenius)	0.00 to 0.10

4.18.1.1.2 PROPERTY CONDITION REPORTS

When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained.

Requirements:

- Exterior photo(s) of the subject property
- Rating of the property's physical condition and characteristics
- Physical inspection of the property

4.18.1.2 TRANSFER OF APPRAISAL

A transferred appraisal report is not acceptable.

4.18.1.3 APPRAISAL REVIEW PRODUCTS

An appraisal review product is not required.

4.18.2 MINIMUM PROPERTY REQUIREMENTS

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-4 Units 400 sq. ft per individual unit

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 contain any health or safety issues.

4.18.3 ESCROW HOLDBACKS

Escrow holdbacks are not allowed.

4.18.4 DECLINING MARKETS

The loan transaction is subject to an HCLTV cap if the property is in a declining market. Declining markets are determined by a) property location in a State identified by Verus, or b) the appraisal report reflects a declining market under housing trends. State eligibility is referenced on the Loan LTV Matrix. The program specific HCLTV cap is as follows:

- 80% HCLTV

4.19 PROPERTY TYPES

4.19.1 ELIGIBLE PROPERTIES

- Single Family Detached, PUD
- Single Family Attached, PUD

- 2-4 Unit residential properties
- FNMA Warrantable Condominium (See [Section 4.19.12 – Condominium Projects](#) for complete condominium eligibility criteria)

4.19.1.1 ACCESSORY DWELLING UNITS (ADU)

See First Lien criteria, [Section 2.9.1.1.4 – Accessory Dwelling Units](#).

4.19.1.2 PRIVATE ROADS

- Require a permanent easement for ingress and egress with provisions for road maintenance

4.19.2 INELIGIBLE PROPERTIES

- Leasehold
- Non-Warrantable condo
- Condition rating of C5/C6 on the appraisal
- Property with more than 20 acres
- 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
- Properties with zoning violations, illegal use, or unpermitted additions/alterations
- Properties zoned agricultural, commercial, or industrial
- Properties with agricultural features (e.g., vineyards, farms, hobby farms, ranches, orchards, equestrian facilities)
- Mixed-Use properties
- Unique Properties
- Manufactured or Mobile homes
- Modular homes
- Units subject to timeshare arrangements
- Properties with fractional ownership
- Units in a Co-op development
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
- Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
- Dome or geodesic properties
- Properties on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats

- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- 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 a rural location; or
 - Any of the following two (2) conditions exist:
 - The property is located on an unpaved road, and
 - Two of the three comparable properties are more than five (5) miles from the subject property.
 - Less than 25% of the surrounding area is undeveloped

4.19.3 ACREAGE LIMITATIONS

- A maximum of 20 acres
- No truncating allowed

4.19.4 STATE ELIGIBILITY

- Not Eligible:
 - Texas
 - Territories: Puerto Rico, Guam, & the US Virgin Islands
- Restricted:
 - CT, IL, NJ, NY (Max HCLTV 80%, Min FICO 720)

4.19.4.1 NEW YORK – CEMA

Consolidation, Extension, and Modification Agreement (CEMA) not eligible.

4.19.5 TITLE REQUIREMENTS

- **For loan balances less than or equal to \$250,000**, provide one of the following:
 - Owner and Encumbrance Report (O&E), dated within 60- days of the Note date, to include:
 - Current Grantee / Owner
 - How property was conveyed to current owner
 - Liens (e.g., mortgage, UCC, other financing)
 - Involuntary liens and judgements
 - Property Tax Information with break-down of all taxes including special assessments
 - Legal Description
 - ALTA Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy

- **For loan balances greater than \$250,000**, provide one of the following:
 - ALTA Full Title Policy
 - ALTA Short Form Residential Limited Coverage Junior Loan Policy

4.19.6 SOLAR PANEL REQUIREMENTS

4.19.6.1 PROPERTIES WITH SOLAR PANELS

Regarding solar panels, anything that will include a UCC filing associated with the property and/or will create an easement on title is ineligible.

4.19.7 LEASEHOLD PROPERTIES

Leasehold properties are not eligible.

4.19.8 VERUS EXPOSURE – BORROWER LIMITATIONS

See First Lien criteria, [Section 2.9.8 – Borrower Limitations](#).

4.19.9 PROPERTY INSURANCE

- Hazard insurance coverage must provide for claims to be settled on a replacement cost basis
 - See First Lien [Section 1.8.2.7 – Property Insurance](#) for additional clarification
- Loss payee clause must reflect seller as additional insured

4.19.10 FLOOD INSURANCE

- Flood determination required for every loan file
- Properties within a flood zone require evidence of insurance coverage in accordance with the HFIAA
 - See First Lien [Section 1.8.2.9 – Flood Insurance](#) for additional clarification
- Loss payee clause must reflect seller as additional insured

4.19.11 DISASTER AREAS (07/15/2024)

- If a full appraisal is utilized (e.g., form 1004, 1073, 1025), see First Lien criteria [Section 2.9.9 – Disaster Areas](#).
- If other appraisal products (e.g., exterior-only form 2055/2075, AVM) are completed before the disaster, provide a Post Disaster Inspection Report (PDI), see First Lien criteria [Section 2.9.9.4 – Post Disaster Inspection Report](#).
 - Any indication of damage reflected in the report will require a re-inspection.

- The re-inspection report must be in the form of a Property Condition Report by the same vendor that provided the Post Disaster Inspection Report (PDI).
- Property Condition Report must include an exterior photo of the subject property along with comments verifying the damage has been repaired.

4.19.12 CONDOMINIUM PROJECTS

Fannie Mae® warrantable projects are eligible, subject to the following:

- The Seller may review and approve Fannie warrantable projects. A certification, similar to [Condominium Project Warranty Certification](#) must be provided with the loan package along with the Condo Questionnaire and any other documents used in the eligibility determination.
- The Fannie Mae® Limited or Full Project Review Process/Criteria may be used to determine project eligibility.
- All Loan secured by condominium projects require a completed Homeowners Association (HOA) questionnaire.
- 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 for purchase. 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;
 - 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.
- Verus Mortgage Capital will not purchase loans secured by units in any condo project identified by FNMA as "Unavailable" by Condo Project Manager (CPM).
- Non-warrantable projects are not eligible.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/HCLTV.
- Two-to-four-unit condominium projects will not require a project review provided the following are met:
 - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project.
 - The priority of common expense assessments applies.
 - The standard insurance requirements apply.

Restrictions:

- The maximum HCLTV is the lower of 80% or the current matrix.
- Verus project exposure maximum shall be \$5,000,000 or 15% of the project total, whichever is lower.
- The borrower project/unit concentration limit: two (2) units.

4.19.12.1 GENERAL PROJECT CRITERIA

- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Project meets all Fannie Mae® insurance requirements for property, liability, and fidelity coverage.
- Borrower 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.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- Projects that are Fannie Mae® Warrantable may be reviewed and approved by Seller Underwriter. A Representation and Warranty certification from the Seller Underwriter stating that the project meets the requirements of a Fannie Mae® Warrantable Project, such as the [Condominium Project Warranty Certification](#), must be provided with the loan package.

4.19.12.2 INELIGIBLE PROJECTS

- Non-Warrantable projects
- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
- Resort type of project
- New condo conversion completed less than 2 years ago
- Any project in which a single entity owns more than 25% of the total number of units. In projects that have 5-19 units, one owner can own a maximum of two units.
- Any project in which more than 50% of the total square footage in the project, or in the building in which the project is located, is used for non-residential purposes.
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- For additional ineligible projects, See First Lien criteria, [Section 2.9.10.4 – Ineligible Projects](#).

4.19.13 LOAN EXCEPTIONS

Exceptions to published eligibility criteria will not be considered.

CHAPTER 5 - GLOSSARY

5.1 TERMS AND DEFINITIONS (07/15/2024)

TERM	DEFINITION
Adjustable-Rate Mortgage (ARM)	A mortgage loan that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index.
Allonge	An attachment to a legal document that is used to insert language or signatures when there is no space for them on the document itself. Frequently used to add endorsements to the mortgage note.
American Land Title Association (ALTA)	A national association of title insurance companies, abstractors, and title agents. The association speaks for the abstract and title insurance industry and establishes standard procedures and title policy forms.
Application Date	The date on which receipt of the borrower's financial information first triggers the federal Truth in Lending disclosure requirements to the borrower in connection with the mortgage loan.
Appraisal	A report that sets forth an opinion or estimate of value.
Automated Clearing House (ACH)	An electronic drafting system that debits (or credits) an authorized bank account and electronically transfers funds to (or from) another designated account.
Automated Valuation Model (AVM)	An Automated Valuation Model (AVM) is a mathematically based software program that produces a value or value range for a subject property.
Best Efforts	A secondary market rate lock is an agreement between a seller and the investor which allows the seller to lock in the <u>interest rate</u> on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period.
Borrower	The person to whom credit is extended. On a mortgage loan, the person who has an ownership interest in the security property, signs the security instrument, and signs the mortgage/deed of trust note (if his or her credit is used for qualifying purposes). See also <i>Co-Borrower</i> .
Cash-Out Refinance	A refinancing transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens.
Co-Borrower	For Verus Mortgage Capital's purposes, this term is used to describe any borrower other than the first borrower whose name appears on the mortgage note, even when that person owns the property jointly with the first borrower (and is jointly and severally liable for the note). See also <i>Borrower</i> .

TERM	DEFINITION
Co-Signer	A co-signer agrees, without having any ownership interest in the home, to strengthen your mortgage application by letting the lender consider their finances and promising to pay back the loan if you default. A co-borrower helps strengthen your mortgage application while also having ownership interest in the property.
Combined Loan-To-Value (CLTV)	A ratio that is used for a mortgage loan that is subject to subordinate financing, which is calculated by dividing the sum of (1) the original loan amount of the first mortgage, (2) the total line amount of any HELOC, and (3) the unpaid principal balance of all other subordinate financing, by the lower of the property's sales price or appraised value.
Condominium (Condo)	A unit in a condominium project. Each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and, in some cases, the exclusive use of certain limited common areas.
Credit Score	A numerical value that ranks an individual according to his or her credit risk at a given point in time, as derived from a statistical evaluation of information in the individual's credit file that has been proven to be predictive of loan performance. When this term is used by Verus Mortgage Capital, it is referring to the classic FICO score developed by Fair Isaac Corporation.
Curtailment	A financial term for a partial or an extra principal payment.
Custodian (Document Custodian)	A financial institution that maintains custody of certain mortgage documents on behalf of Verus Mortgage Capital.
Debt-To-Income Ratio (DTI)	A ratio derived by dividing the borrower's total monthly obligations (including housing expense) by his or her stable monthly income. This calculation is used to determine the mortgage amount for which a borrower qualifies. This term is used interchangeably with "total debt-to-income ratio" and "expense ratio."
Escrow Account	A trust account that is established to hold funds allocated for the payment of a borrower's property taxes and assessments by special assessment districts, ground rents, insurance premiums, condo or homeowners' association or planned unit development association dues and similar expenses 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.
Federal Emergency Management Agency (FEMA)	A federal agency that provides assistance in areas that have suffered a major disaster or other emergency. It also maintains flood insurance rate maps that identify the Special Flood Hazard Areas in which Verus Mortgage Capital requires flood insurance.

TERM	DEFINITION
First Time Homebuyer (FTHB)	An individual is to be considered a first time homebuyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.
Forecast Standard Deviation (FSD)	FSD is a statistical measure that represents the probability that the Automated Valuation Model (AVM) value falls within the statistical range of the actual market value, measured against a sales price.
Guaranty	Guaranty refers specifically to a written agreement that one party will pay the money required if another party fails to do so. All Verus loan programs where the borrower is an entity require a guaranty with full recourse.
Higher-Priced Covered Transaction	A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act and applies to both principal residences and second homes.
Higher-Priced Mortgage Loan	A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act. Only principal residences are included in this category.
Lease	A written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may possess the real estate for a specified period of time and rent.
Loan-To-Value (LTV)	The relationship between the original loan amount of the first mortgage and the property's appraised value (or sales price if it is lower).
Lock Expiration	A mandatory mortgage lock requires that the seller either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee.
Mandatory	<p>A mandatory mortgage lock requires that the seller either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee.</p> <p>A whole loan commitment that generally requires the seller to deliver eligible mortgages equal to at least the minimum required delivery amount (which is an amount that will not be less than the original commitment amount by more than \$10,000 or 2.5% of the original amount) by the expiration date of the commitment.</p>
Preparer Tax Identification Number (PTIN)	The IRS requires anyone who prepares tax returns for compensation to register and obtain a PTIN. There are no qualifications to obtain a PTIN, it's simply used for preparer identification.

TERM	DEFINITION
Prepayment Penalty	A charge imposed for paying all or part of the transaction's principal before the date on which the principal is due, other than a waived, bona fide third-party charge that the lender imposes if the borrower prepays all of the transaction's principal sooner than 60 months after loan closing.
Rate Lock	A secondary market rate lock is an agreement between a seller and the investor which allows the seller to lock in the interest rate on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period.
Recourse	A full recourse provision grants the lender the right to seize any additional assets that the borrower may own and use them to recoup the remaining amount due to the borrower.
Sales Contract	A contract for the purchase/sale, exchange, or other conveyance of real estate between parties. The contract must be in writing, contain the full names of the buyer(s) and seller(s), identify the property address or legal description, identify the sales price, and include signatures by the parties. Sales contracts are also known as agreements of sale, purchase agreements, or contracts for sale.
Texas Section 50(a)(6) Loan	A loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain conditions. Article XVI, Section 50(a)(6), of the Texas Constitution is sometimes referred to as Texas Constitution Section 50(a)(6).

CHAPTER 6 - FORMS

ALLONGE – SAMPLE (04/25/2022)

ALLONGE

Loan Number: (as printed on the note) _____

Borrower(s): _____

Property Address: _____

Note/Loan Amount: \$ _____

Note/Loan Date: _____

Pay to the order of: _____ without
recourse

(Leave blank)

Seller Company Name _____

Signature: _____

Print Signer's Name: _____

Signer's Title: _____

APPRAISAL REVIEW GUIDE (10/01/2020)**VERUS MORTGAGE CAPITAL APPRAISAL REVIEW GUIDE****SUBJECT PROPERTY**

- 1) Does the subject property address match the documentation in the file (loan application, purchase contract, etc.)? If yes, validate the address via the USPS address validator.
- 2) Is the owner of record consistent with the loan file documentation? If it's a refinance, the borrower should reflect as the owner. If it's a purchase, does the owner match the purchase contract?

CONTRACT

- 1) Did the appraiser review the sales contract? The appraiser must review the sales contract on all purchase transactions.
- 2) Does the information in this section agree with the information in the sales contract?

NEIGHBORHOOD AND SITE

- 1) Pay attention to situations which could adversely affect the subject values, such as rural properties, property values declining, over-supply, marketing time greater than six (6) months. The appraiser may need to comment on the reason(s) and its effect on the subject's value.
- 2) Is the subject's value within the neighborhood's price range? If no, the appraiser must comment on its effect on the marketability of the subject.
- 3) Is the present land use predominately residential and similar to the subject's use? Is the present land use stable? If no, the appraiser must comment on these conditions.
- 4) Is the subject zoned legal non-conforming, or illegal? If legal non-conforming, ensure the property can be rebuilt if destroyed.
- 5) Are there any negative comments regarding the site? If so, verify that the noted condition will not affect marketability.
- 6) Is the subject located on a private road? If so, obtain a maintenance agreement.
- 7) Be aware of acreage and any possible guideline restrictions.

IMPROVEMENTS

- 1) Is there evidence of infestation, dampness, settlement in the foundation? If so, the appraiser must comment.
- 2) Are there any negative comments in the improvements section if the appraisal is not subject to repairs? If yes, the appraiser may need to comment further.
- 3) Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? If so, is the situation addressed?
- 4) Pay attention to any improvements/remodeling done in the past 1 - 5 years mentioned by the appraiser. What is their impact on the final value and/or any recent increase to value?

SALES COMPARISON APPROACH

- 1) Did the appraiser indicate a number of comparable properties currently listed and sold in the neighborhood? If no, request that from the appraiser.
- 2) Are comparable sales located within the subject's neighborhood based on location (urban, suburban, rural)? If no, ask the appraiser to comment.
- 3) Are comparable sales dated within six (6) months? If no, the appraiser must address this.
- 4) Are comparable sales similar to the subject in location, design, gross living area, room counts, age, condition, etc.? If not, the appraiser must explain why the comps chosen were used.
- 5) For condominiums, at least one comparable sale should be outside of the subject's complex.
- 6) Be aware of total adjustments exceeding 15% for net and 25% for gross adjustments as referenced in the Verus Mortgage Capital loan eligibility criteria.
- 7) Make sure that add-ons (garage/barn/pool/etc.) are addressed and any adjustments are not excessive.
- 8) Watch for ineligible condition(s) such as C5, C6 or Q6.

Complete an independent analysis of the information and documentation provided on the appraisal focusing on the four (4) items below.

- 1) Review photos of the subject. Does the subject appear to need repairs? If so, and the appraiser did not require repairs, the appraiser must comment on the observed issue and possibly provide the cost to cure.
- 2) Complete research via online tools such as Zillow, Google, etc., on comparable sales. Compare exterior and interior photos of the comparable sales to the subject to ensure they are not superior.
- 3) Review the sales history and listings in the subject's immediate neighborhood with online tools such as Zillow, MLS, etc., to ensure the best sale comparable(s) were used by the appraiser.
- 4) Review the street map that identifies the subject location and location(s) of the sale comparable(s). Verify that the comps are not clustered together in a superior neighborhood, separated from the subject by man-made barriers such as major roads/highways, etc.

RECONCILIATION

- 1) Is the appraisal made "subject to completion, repair, or inspection? If yes, check the condition for the completion/repair/inspection.

COST APPROACH

- 1) Is the land-to-value ratio typical for the area? If the site value has been provided, ensure the land-to-value ratio is not too high for the subject's neighborhood.
- 2) Is the indicated value by cost approach in-line with the sales comparison approach? If no, the appraiser must address this.

ADDENDA

- 1) Are all required addenda attached to the appraisal, including a map, sketch, and photographs?
- 2) Watch for adverse comments on any of the addenda.

Are the correct appraisal form(s) used? For example, condominiums should use Form 1073. A small residential income property appraisal report (Form 1025) should contain a Form 1007 single family comparable rent schedule, etc.

AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM (03/03/2021)

AUTOMATIC PAYMENT AUTHORIZATION FORM

☐ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name	Street Address	City, State, Zip Code
Daytime Phone Number	Evening Phone Number	
Mortgage Number		
Financial Institution Name	Financial Institution Phone No.	Financial Institution Address
Electronic ACH Routing Number	Account Number	<input type="checkbox"/> Checking <input type="checkbox"/> Savings

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the _____ of each month (select a date within the grace period indicated on your note).

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest, and escrow items I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable-Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

The authorization is to remain in full force and effect until revoked in writing. Such revocation notification must be provided to the Initiating party no less than fifteen (15) business days prior to it taking effect. Please contact the Initiating Party immediately if you change financial institutions, change accounts within the same financial institution or if you wish to revoke this authorization.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

_____ Borrower	_____ Date	_____ Co-Borrower	_____ Date
-------------------	---------------	----------------------	---------------

BORROWER CERTIFICATION OF BUSINESS PURPOSE (9/21/2023)**Borrower Certification of Business Purpose**

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of _____. The undersigned borrower(s) and, if applicable, guarantor (collectively the "Borrower") certifies and represents to _____ ("Lender") all of the following:

1. Borrower has requested that Lender make a loan in the original principal amount of _____ ("Loan"), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of Lender, which is secured by that certain Mortgage, Deed of Trust or Security Deed ("Security Instrument") of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as _____ ("Property").
2. Borrower has previously represented to Lender that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.
3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.
4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.
5. Certain consumer protection laws, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.
6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

Signature Date

Type/Print Name

Signature Date

Type/Print Name

Signature Date

Type/Print Name

Signature Date

Type/Print Name

BORROWER CONTACT CONSENT FORM (08/29/2022)**BORROWER CONTACT CONSENT FORM**

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

_____ Same as the subject property.

_____ Please use this mailing address instead:

Address Line 1 _____

Address Line 2 _____

City/State/Zip _____ Country _____

Cell phone number:

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its designated servicer permission to use the cell phone number to contact me regarding my loan.

Within the United States

Borrower (_____) _____ - _____

Co-Borrower (_____) _____ - _____
(Area code) phone number

If you reside outside the United States

(_____) _____

(_____) _____
(Country code) phone number

Email address:

I understand that by providing an email address, I am giving the holder of my mortgage Note and its designated servicer permission to use this email to contact me regarding my loan.

Borrower _____

Co-Borrower _____

Signature(s):

Borrower _____ Date _____

Co-Borrower _____ Date _____

BUSINESS NARRATIVE FORM (2/26/2024)**Self-Employed Business Narrative Form**

This form is to be completed by the borrower. Name of business:

1. Ownership percentage: _____
2. Date business was established: _____
3. Business legal structure:
☐ Partnership ☐ Corporation ☐ Sub-S Corporation ☐ Limited Liability Company ☐ Sole Proprietor
4. Describe the nature of the business:

Signature Line:

CLOSED LOAN DELIVERY CHECKLIST (07/15/2024)

CLOSED LOAN DELIVERY CHECKLIST	
Verus Loan ID:	Seller Loan ID:
Borrower Name(s):	
Property Address:	
LEGAL	
	Copy of Collateral Package: Bailee Letter (or Security Release Form if applicable), Note with Addendum(s), Allonge/Endorsement to Note, Unrecorded Assignment (if not MERS MOM), Security Instrument with Rider(s) including legal description, CEMA if applicable
	Final Title Policy if available
	Preliminary Title Report, Tax Cert, and 24-month Chain of Title
	Closing Protection Letter
	Survey if applicable
	Power of Attorney if applicable
	Trust Certification, Attorney's Opinion Letter, or Trust Agreement if applicable
	Vesting in LLC: Articles of Organization, Certificate of Good Standing, Operating Agreement, ownership structure, Tax Identification Number (EIN), Borrowing Certificate if applicable
	Vesting in Corporation: Articles of Incorporation and Amendments, By-Laws and Amendments, Certificate of Good Standing, Tax Identification Number (EIN), Borrowing/Corporate Resolution, current year franchise tax payment or clear search if applicable
	Vesting in Partnership: Partnership Certificate, Partnership Agreement, Certificate of Good Standing, Tax Identification Number (EIN), Limited Partner Consents if applicable
	Personal Guaranty if applicable
	Spousal Consent Form if applicable
	Original Loan Agreement if applicable
	Foreign National: Certificate of Acknowledgment from U.S. Embassy or Consular Official for notarization outside of U.S; or Notary is acceptable if country where signing is taking place is part of Hague Convention and signed docs are accompanied by an Apostille.
	Leasehold Agreement if applicable
	Subordination Agreement if applicable
CREDIT	
LOAN INFORMATION	
	Note Rate Lock between Client and Borrower(s)
	Loan Approval and/or Final 1008 as applicable (Uniform Underwriting Transmittal Summary or equivalent)
	Final Application (e.g., URLA, Business Purpose Loan application)
	Initial Application (e.g., URLA, Business Purpose Loan application)
	Identity Documents (State-Issued Identification, U.S. Passport, Permanent Resident Alien Card, VISA)
CREDIT	
	Fraud Report
	Tri-Merge Credit Report and Supplements
	Gap Credit Report/Undisclosed Debt Monitoring
	Verification of Mortgage and/or Rent
	Documentation to support omission of liabilities (e.g., debt paid by borrower's business)
	Documentation to support liabilities not listed on credit report (e.g., child support, alimony, solar panels, etc)
	Payoff Statement for subject (refinance)
	Other credit documentation not listed
ASSETS	
	Financial statements used for asset documentation
	3 rd Party Verification of Deposit (FNMA Form 1006, Fannie Mae Day 1 Certainty Vendor)
	Verification of earnest money deposit
	Gift Letter, donor availability, proof of transfer
	Other asset documentation not listed
INCOME	
Full/Standard Doc	
	Verification of Employment: YTD paystub dated within 30 days of Note date, Verbal VOE, or E-mail exchange verification
	Most recent paystub(s) reflecting 30 days of income
	W-2s, or W-2 Transcripts (1 or 2 years)
	Tax Returns signed and dated, or Tax Return Transcripts (1 or 2 years)
	YTD Profit & Loss Statement
	Gap-Year Profit & Loss Statement if applicable
	Verification of Income from 3 rd Party Vendor (e.g., The Work Number)
	Documentation to support other income
	4506-C

Alt Doc – Bank Statement	
	Personal bank statements (12- or 24- months) with most recent 2 months business bank statements
	Business or Co-Mingled bank Statements (12- or 24- months)
	Business Expense Statement Letter
	Profit & Loss Statement (12- or 24- months)
	Verification of current existence of the business and borrower's ownership interest percentage
Alt Doc – Profit & Loss Statement Only	
	Profit & Loss Statement (12- or 24- months)
	Documentation evidencing the P&L was prepared by Certified Public Accountant, IRS Enrolled Agent, CTEC, or Tax Attorney
	Letter from the preparer attesting they prepared the borrower's most recent tax return and verifying borrower's ownership interest
Alt Doc – IRS Form 1099	
	1099s (1 or 2 years)
	YTD earnings if applicable
Alt Doc – Written VOE	
	FNMA Form 1005 Verification of Employment
	Two months personal bank statements
	Internet search verifying existence of employer's business
Investor Solutions DSCR	
	Comparable Rent Schedule (or equivalent for DSCR 5-8 Residential and 2-8 Mixed Use)
	Lease agreement(s) if applicable
	Most recent 12-month rental history statement from 3 rd party rental/management service if applicable
	Most recent 12-month bank statements from the borrower evidencing short-term rental deposits if applicable
	AIRDNA Rentalizer and Overview report if applicable
PROPERTY	
	Purchase Contract with Addendum(s) fully executed
	Appraisal
	Appraisal Transfer Letter
	Fannie Mae Collateral Underwriter (CU) or Freddie Mac Loan Collateral Advisor (LCA) Submission Summary Report (SSR)
	Enhanced Desk Review for 1-4 Residential (e.g., CDA from Clear Capital)
	Commercial BPO for 5-8 Residential and 2-8 Mixed Use
	1004D Final Inspection/Appraisal Update
	Post Disaster Inspection for FEMA Declared Disaster
	Condominium documentation including project review determination
	Flood Certificate (Life of Loan)
	Hazard Insurance Policy/Binder for all properties
	Commercial General Liability Insurance for 2-8 Mixed Use
	Flood Insurance Policy/Binder if applicable
	Other property documentation not listed
FOREIGN NATIONAL	
	Passport from country of origin
	OFAC verification
	3 rd Party document with address that matches primary residence on application
	Foreign bank statements including translation and U.S. Dollar equivalency
	ACH – Automatic Payment Authorization
	Borrower Contact Consent Form
	Other Foreign National documentation not listed
DISCLOSURES/OTHER	
	Initial Loan Estimate
	Change of Circumstance
	Closing Disclosure (CD)
	Right of Rescission if applicable
	All Federal and State Disclosures
	Consent to Share Tax Returns
	Compliance Report (e.g., ComplianceEase, Mavent)
	Occupancy Certification
	Borrower Contact Consent Form
	Investor Solutions DSCR: Borrower Certification of Business Purpose
	Other (e.g., Letters of explanation)

COLLATERAL SHIPPING INSTRUCTIONS (07/15/2024)

Bailee or Security Release

When delivering original promissory notes, the Seller must provide either a Bailee Letter or a Security Release Form as follows:

Bailee Letter Requirements	<ul style="list-style-type: none"> ○ Must accompany the original promissory note delivered to the custodian (see collateral shipping instructions in next section) <ul style="list-style-type: none"> ● A bailment is only established if a bailee letter is delivered with the original promissory note ○ Does not require execution by Verus and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement ○ Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Verus for wire account setup of the loan's purchase proceeds ○ Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s); should contain the following information: <ul style="list-style-type: none"> ● Seller's name ● Borrower name ● Wire instructions ● Either the Seller or Verus loan number ● Note amount
Security Release Form Requirements	<ul style="list-style-type: none"> ○ Seller must be pre-approved for self-funding; if not, contact the Verus sales associate to initiate self-funding approval process ○ Submit a Security Release form, executed by an authorized signer of the Seller ○ Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type 'Credit Package Document' ○ Must be delivered to Verus within 24 hours after loan delivery ○ Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s); should contain the following information: <ul style="list-style-type: none"> ● Seller's name ● Borrower name ● Wire instructions ● Either the Seller or Verus loan number ● Note amount

Initial Collateral Shipping

Custodian Mailing Address	Computershare Trust Company, N.A. Attn: CMBS-INVC 1055 10th Ave SE Minneapolis, MN 55414
Custodian Stacking & Packaging Instructions	<ul style="list-style-type: none"> ○ Place loan files in sequential loan number order inside shipping package/box. ○ Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan. ○ Mark the exterior of each box to identify its contents as follows: <ul style="list-style-type: none"> ● INVC-Initial/Seller Name/ Box 1 of __, Ln # 100000– 100200. ○ Stack documents in the following order: <ul style="list-style-type: none"> ● Bailee Letter (or self-assurance letter if applicable) (do not staple or clip to Note) ● Original Note, with an original signature, fully executed ● Original allonge, endorsing the Note from Your Company Name to Blank (See Guide Exhibit for Allonge Example) ● If not a MERS MOM loan: <ul style="list-style-type: none"> ▫ Original Unrecorded Assignment from Seller to Blank ● Original Executed Power of Attorney (if applicable) ● Any other documents as may be applicable relevant to program, property, or business entity as borrower (Example: Loan Agreement, POA, etc.) ○ Place collateral documents in a pocket file folder (legal size); one folder per loan ○ Affix a label to the upper right-hand corner of each pocket-file folder reflecting: <ul style="list-style-type: none"> ● Verus Loan ID ● Seller Loan ID ● Borrower Name

Newly originated loans (< than 120 days from note date):	<ul style="list-style-type: none"> ○ The copy of the unrecorded mortgage and title commitment are required to be eligible for loan sale/purchase settlement. Deliver the preliminary documents to Verus, as follows: <ul style="list-style-type: none"> • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Credit Package Document'; AND <ul style="list-style-type: none"> ▫ Security Instrument (MERS MOM), with all riders & schedules, sent for recordation ▫ If not a MERS MOM loan, each original or copy of the recorded intervening assignment(s), evidencing a complete chain of title from Originator to Seller (if applicable) ▫ Title Commitment/Binder/Prelim Title ▫ Power of Attorney, or a copy of the original sent for recordation (if applicable) • Delivery of the recorded/final versions to the custodian is required within 180 days of loan sale/purchase settlement date. See Trailing Document Delivery instructions.
Seasoned loans (>= 120 days from note date):	<ul style="list-style-type: none"> ○ The recorded mortgage and final title policy are required to be eligible for loan sale/purchase settlement. Deliver the final documents to Verus, as follows: <ul style="list-style-type: none"> • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Credit Package Document'; AND <ul style="list-style-type: none"> ▫ Security Instrument (MERS MOM), with all riders & schedules with evidence of recording information ▫ Final title policy ▫ Power of attorney with evidence of recording information, if applicable

Contact the Verus collateral desk for additional assistance at: collateral@Verusmc.com

MERS Registration and Transfer of Servicing and Beneficial Rights	<ul style="list-style-type: none"> ○ Provide screen shot of MIN Summary to evidence registration is in active status & ownership rights are held by seller. <ul style="list-style-type: none"> • Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type 'Credit Package Document' • Must be delivered to Verus within 24 hours after loan delivery ○ Seller is responsible for initiating the MERS® Transfer of Rights to Verus, within 7 calendar days of loan sale/purchase settlement. ○ Initiate a TOS/TOB combo transaction to Verus, as follows: <ul style="list-style-type: none"> • Investor: 1013178 • Servicer: 1013178 <p><i>Note: Verus reserves the right to charge an administrative fee of \$75.00 for any loan not transferred accurately within the required 7 calendar days.</i></p>
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Contact the Verus MERS desk for additional assistance at: MERS@Verusmc.com

Final Document Delivery (for loans < 3 months seasoned at loan sale/purchase settlement)

Custodian Delivery Address	Computershare Trust Company, N.A. Attn: CMBS-INVC 1055 10th Ave SE Minneapolis, MN 55414
Document Packaging	<ul style="list-style-type: none"> ○ Include a cover sheet with seller and Verus Loan IDs for each final document; or use a manifest to identify each document and its corresponding seller and Verus loan IDs. If using a manifest, the documents must be stacked in the same order as represented on the manifest ○ Individual documents with multiple pages may be stapled or clipped together <ul style="list-style-type: none"> • Do NOT staple/clip multiple <u>documents</u> together ○ Mark the exterior of the package(s)/box(es) to identify its contents as follows: <ul style="list-style-type: none"> • INVC-Trailing/Seller Name/ Box 1 of __, Ln # 100000– 100200.

Contact the Verus collateral desk for additional assistance at: finaldocs@verusmc.com

CONDOMINIUM PROJECT QUESTIONNAIRE (10/16/2023)



CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name:		Date:	
Property Address: (Street, City, State, Zip)		Borrower Name:	
Unit Number:		Loan Number:	

FORM TO BE COMPLETED IN FULL BY PROPERTY MANAGEMENT REPRESENTATIVE OR BY AN OFFICER OF THE ASSOCIATION.

PART I – PROJECT INFORMATION

Please provide actual numbers and not percentages in the chart below:

	Subject Legal Phase	Entire Project
Total # of Units		
# of Owner Occupied and 2 nd Homes		
# of Investment		
# of Units Sold or Under Contract		
# of Units Listed for Sale		
Other:		

1. Does the Project contain any condotel characteristics listed below? Please check all that apply: ☐ Yes ☐ No

☐ Hotel Operations
☐ Maid Service/Room Service
☐ On-Site Desk Registration
☐ Short Term Rentals
2. Does the Project contain any ineligible characteristics listed below? Please check all that apply: ☐ Yes ☐ No

☐ Common Interest Apartment
☐ Timeshare/Rental Pool
☐ Live-Work Project
☐ Houseboat

☐ Assisted Living Facility
☐ Multi-Family With Blanket Mtg
☐ Manufactured Housing
☐ Cooperative
3. Are all units owned fee simple or leasehold? ☐ Fee Simple ☐ Leasehold
4. Are the common elements and amenities within the subject's phase complete? ☐ Yes ☐ No

If No - Explain what remains to be completed. _____

If No - Provide ~~approx~~ percentage of common area that remains to be completed. _____
5. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued? ☐ Yes ☐ No

If No - When will the phase be completed? _____

Date subject phase completed? _____

Date last phase was completed? _____

What remains to be completed for the project to be 100% complete? _____
6. Are the unit owners in control of the HOA? ☐ Yes ☐ No

If No - What is the anticipated date the Project will be turned over to the unit owners? _____

If No - When the Project is turned over to the unit owners, does the developer retain ownership in the Project besides unsold units? ☐ Yes ☐ No

If applicable, what will be owned by the developer and how it will be used? _____
7. If/when the Project is turned over to the unit owners, does the developer retain any ownership in the Project besides unsold units? ☐ Yes ☐ No

If Yes - Please provide what is owned by the developer and how it is used: _____

8. Does commercial space exceed 50%? ☐ Yes ☐ No
If Yes - Provide percentage and use of space: _____
9. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or foreclosure? ☐ Yes ☐ No
If Yes - Please describe the details and provide documentation and attorney letter relating to the litigation. _____
10. Are there any pending or levied special assessments by the HOA? ☐ Yes ☐ No
If Yes - What is the total amount of assessment? _____
What is the assessment amount per unit? _____
What is the term of the assessment? _____
What is the current assessment balance? _____
Has work been completed? ☐ Yes ☐ No
Describe the nature of the assessment: _____
11. Are there unfunded repairs costing more than \$10,000 per unit anticipated during the next 12 months (does not include repairs funded through special assessment)? ☐ Yes ☐ No
If Yes - Please list items to be repaired: _____
12. FLORIDA ONLY - For projects five (5) stories or higher: Is project over 30 years old (or 25 years if within 3 miles of the coast)? ☐ Yes ☐ No ☐ NA
If Yes - Provide Structural Inspection consistent with standards in Florida Statute 553.899.
i) Any significant deferred maintenance items identified? ☐ Yes ☐ No
If Yes - Provide documentation/evidence that items have been addressed. (Attach Documents)
13. Has the HOA received a directive from a regulatory or inspection agency to make repairs due to unsafe conditions? ☐ Yes ☐ No
14. Does the association have any knowledge of any adverse environmental factors affecting the Project as a whole or any individual unit within the Project? ☐ Yes ☐ No
If Yes - Please provide an explanation: _____
15. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party? ☐ Yes ☐ No
16. Are any units in the Project with resale or deed restrictions? ☐ Yes ☐ No
If Yes - Please explain. Provide related agreements and number of units subject to restriction and unit numbers: _____
17. How many units are over 60 days delinquent on HOA dues or assessments (including REO owned units)? _____
18. Does any single entity (individual, investor, or corporation) own more than 20% of the units in the Project? ☐ Yes ☐ No
If Yes - Please provide name and number of units owned by each individual/entity. _____

PART II – PREPARER INFORMATION

Name: _____ Phone: _____
Title: _____ Email: _____
Signature of HOA Representative: _____ Date: _____

ENTITY SIGNATURE EXAMPLES (10/16/2023)

The following are examples of signature lines for Limited Liability Companies (LLCs):

Authorized Signatory may be replaced by a different title as specified in the Member Consent (e.g., Managing Member, Member, etc.).

Sample 1:

Borrower: JJ Investors, LLC by James Johnson, Single Member of LLC

Note, Security Instrument, and all Riders:

Signature Block

JJ INVESTORS, LLC a [] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2:

Borrower: JJ Investors, LLC, by James Johnson and Jane Nelson, two Members of LLC.

Both Members are Authorized Signatories of LLC.

Note, Security Instrument, and all Riders:

Signature Block

JJ INVESTORS, LLC a [] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

**FLORIDA FOREIGN NATIONAL – CONVEYANCES TO FOREIGN ENTITIES BY
ENTITY BUYER (2/26/2024)****Affidavit**

[Part III, Ch. 692 F.S. - Conveyances to Foreign Entities - By Entity Buyer]

BEFORE ME, the undersigned authority, duly authorized to take acknowledgments and administer oaths, personally appeared _____ (“Affiant”) who deposes and says under penalties of perjury that:

(When used “Affiant” and “Buyer” include singular or plural as context so requires or admits.)

1. Affiant is the [state official capacity] of [state name/type/venue of entity], which is hereinafter referred to as “Buyer.”
2. Buyer is purchasing or acquiring an interest in the following described real property:
[Insert Legal Description]
3. Affiant has read the attached Notice and has been given the opportunity to consult with an attorney.
4. Buyer is (Initial which is applicable):
____ Not a Foreign Principal as defined in §692.201, F.S. and as such is in compliance with the requirements set out in §692.202-205, F.S.
OR
____ A Foreign Principal as defined in sec §692.201, F.S. and is in compliance with the requirements set out in §692.202-205, F.S.
5. Affiant acknowledges the foregoing representations will be relied upon to establish compliance with the law.

(Affiant)

Print Name: _____

Official Capacity: _____

Name of Buyer: _____

Address: _____

STATE OF _____
COUNTY OF _____

Sworn to (or affirmed) and subscribed before me by means of [] physical presence or [] online notarization this _____ day of _____, 20____, by _____ who [] is personally known or [] has produced _____ as identification.

[Notary Seal]

Notary Public

Printed Name: _____

My Commission Expires: _____

The attached affidavits and notice were drafted as suggestions to the Florida Real Estate Commission to be adopted by Rule pursuant to Laws of Florida Chapter 2023-33. That process will likely not be finalized prior to the July 1, 2023 effective date of the law.

Publication of this form is not legal advice, guidance, or an endorsement of its use, however the Florida Land Title Association is providing it as a possible form of the Buyer’s affidavit required under Chapter 2023-33 for use until the Florida Real Estate Commission adopts official forms for use under this law.

After the official form(s) is finalized by the Florida Real Estate Commission, only that form(s) should be used.

**FLORIDA FOREIGN NATIONAL – CONVEYANCES TO FOREIGN ENTITY BY
INDIVIDUAL BUYER (2/26/2024)****Affidavit**

[Part III, Ch. 692 F.S. - Conveyances to Foreign Entities - By Individual Buyer]

BEFORE ME, the undersigned authority, duly authorized to take acknowledgments and administer oaths, personally appeared _____ (“Affiant”), who deposes and says under penalties of perjury that:

(When used “Affiant” includes singular or plural as context so requires or admits.)

1. Affiant is purchasing or acquiring an interest in the following described real property:

[Insert Legal Description]

2. Affiant has read the attached Notice and has been given the opportunity to consult with an attorney.
3. Affiant is (Initial which is applicable):

____ Not a Foreign Principal as defined in §692.201, F.S. and as such is in compliance with the requirements set out in §692.202-205, F.S.

OR

____ A Foreign Principal as defined in §692.201, F.S. and is in compliance with the requirements set out in §692.202-205, F.S.

4. Affiant acknowledges the foregoing representations will be relied upon to establish compliance with the law.

(Affiant)

Print Name: _____

Address: _____

STATE OF _____
COUNTY OF _____

Sworn to (or affirmed) and subscribed before me by means of [☐] physical presence or [☐] online notarization this _____ day of _____, 20____, by _____ who [☐] is personally known or [☐] has produced _____ as identification.

[Notary Seal]

Notary Public

Printed Name: _____

My Commission Expires: _____

The attached affidavits and notice were drafted as suggestions to the Florida Real Estate Commission to be adopted by Rule pursuant to Laws of Florida Chapter 2023-33. That process will likely not be finalized prior to the July 1, 2023 effective date of the law.

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LLC BORROWING CERTIFICATE - MULTIPLE MEMBER (11/16/2021)
LIMITED LIABILITY COMPANY BORROWING CERTIFICATE
TO: _____

The undersigned, being all of the members _____, a limited liability company ("Borrower"), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from _____ ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower, provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$_____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20____].

 Signature
 Printed Name _____
 Title _____

 Signature
 Printed Name _____
 Title _____

 Signature
 Printed Name _____
 Title _____

 Signature
 Printed Name _____
 Title _____

LLC BORROWING CERTIFICATE - SINGLE MEMBER (10/01/2020)**LIMITED LIABILITY COMPANY BORROWING CERTIFICATE**

TO: [INSERT SELLER LEGAL NAME]

The undersigned, being the sole member of [_____, a _____ limited liability company] ("Borrower"), does hereby certify that they are the sole and only member of Borrower and, under the Borrower's [Operating Agreement] [Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$_____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20_____].

By (Signature)

Name (Printed)

Title

NEW SERVICER REFERENCE GUIDE (07/15/2024)

SERVICING ITEM	SHELLPOINT MORTGAGE SERVICING
Address for Borrower Payments:	Shellpoint Mortgage Servicing PO Box 650840 Dallas, TX 75265-0840
Address for Correspondence:	Shellpoint Mortgage Servicing PO Box 10826 Greenville, SC 29603-0826
Forwarding Trailing Payments or Escrow Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601
Address for Payoff Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control – Payoffs 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601
Customer Service Information:	Toll-free: 800-365-7107 Website: www.shellpointmtg.com Mon - Fri: 8:00 a.m. to 9:00 p.m. (ET) Saturday: 10:00 a.m. to 2:00 p.m. (ET)
Loss Payee Clause:	Shellpoint Mortgage Servicing Its Successors and/or Assigns ISAOA/ATIMA PO Box 7050 Troy, MI 48007-7050
Requests for VOM:	Send Borrower's authorization and Verification form by either email or fax: Email to: Loanservicing@newrez.com OR Fax to: 866-467-1184
Requests for Payoff Statements:	Consumer Loans: LoanServicing@newrez.com OR Fax to: 866-467-1184 Business Purpose Loans: CommercialPayoffs@newrez.com
Send NSF Reimbursement Requests & Supporting Documentation to:	Email to: SMSPriorServicerNSFRequests@newrez.com
Forward Trailing Tax or Insurance Documents to:	Tax Documents: LoanServicing@newrez.com Insurance Documents: Insdocs@newrez.com

Forward All Other Trailing Loan Documents to:	Send by secure email to: SMSloandocuments@newrez.com
MERS ORG ID	Sellers / Current Servicer should transfer the Investor and Servicer rights via a TOB/TOS batch to the Verus ORG ID within 7 days of the sale to Verus (Verus ORG ID: 1013178)
Tax Vendor Name and Vendor ID	CoreLogic 11680
Wiring Instructions: Funds that need to be applied to the borrower's payment history	Wire funds to this account that need to be applied to the borrower's payment history, items include: <ul style="list-style-type: none"> • Payments due to Verus • Curtailments due to Verus • Trailing escrow funds Name on Account: Mortgage CDA Bank name: Citibank, NA Bank address: 399 Park Ave, New York, NY 10043 Account #: 31354717 ABA #: 021000089 Ref: Your company name, loan number, borrower name Attn: Cash Control Wire Detail: All wires must have loan-level detail in an Excel formatted spreadsheet. Email to: SMSwires@newrez.com
Wiring Instructions: Pass Through Funds	Wire funds to this account if the funds <u>have already been credited or posted</u> to the borrower's payment history, items include: <ul style="list-style-type: none"> • Payments due to Verus • Curtailments due to Verus • Escrow impounds that transferred • Funds for suspense, unapplied, and/or reserve balances that were transferred Name on Account: Funding Clearing Account Bank name: Citibank, NA Bank address: 399 Park Ave, New York, NY 10043 Account #: 31354469 ABA #: 021000089 Ref: Servicer / Transfer Date / Transfer ID Attn: T&I Funding Wire Detail: All wires must have loan-level detail in an Excel formatted spreadsheet. Email to: e-gvl-funding@shellpointmtg.com

NON-DELEGATED ELIGIBILITY REVIEW REPORT (2/26/2024)

ELIGIBILITY REVIEW		
Loan Information		
Loan Number:	Loan Type:	Recommendation: Approved with Conditions
Seller Loan Number:	Loan Purpose:	Recommendation Date:
Case Number:	Doc Type:	Underwriter:
Loan Amount:	Occupancy:	Product Code:
Rate:	Cash Out:	Program:
PITIA:	LTV/CLTV/HCLTV:	Lock Expiration:
Amortization Term:	DTI:	Qualifying Income: \$
Term:	DSCR:	Total Liabilities: \$
IO Term:		
Borrower		Assets
Borrower:		Total Assets \$:
FICO:		Required Reserves \$:
Phone:		Max Cash to Close \$:
Work:		
Originator		
Originator:	Contact:	Phone:
Property		
Property:	Appraisal Type:	Submission Number 0
	Appraised Value:	
	Purchase Price:	
Property Type: Single Family		
Doc Expiration		
Approval Exp Date:	Title Exp Date:	VOE Exp Date:
Credit Exp Date:	Soft Pull Exp. Date:	10 Day Verbal Exp Date:
Income Exp Date:	Condo Approval Exp:	10 Day S/E Exp Date:
Asset Exp Date:	Photo ID Exp Date:	Other Exp Date:
Appraisal Exp Date:		
PRIOR TO DOC CONDITIONS		
UNDERWRITER TO CLEAR		SIGNED OFF
1.		

This Purchase Eligibility Review Form ("Eligibility Form") is subject to the Mortgage Loan Purchase Agreement, as amended from time to time, between Purchaser and Seller (as those parties are defined therein.) The Eligibility Form represents the results of a credit review based exclusively on the materials submitted by the Seller to determine if the loan meets the applicable eligibility guidelines. Such credit review excludes a determination of whether the loan complies with applicable origination requirements. Purchaser reserves the right to modify or withdraw this Eligibility Form if any of the information contained in the materials provided by the Seller is or becomes inaccurate or incomplete, including any changes in the borrower's credit, employment or any other factor used to determine the borrower's ability to repay the loan.

The eligibility determination provided herein is not a decision or recommendation to extend or deny credit. The Seller is the party solely responsible for making any decision to extend or deny credit. The Seller acknowledges that it will comply with all applicable regulatory requirements, including the Home Mortgage Disclosure Act (HMDA) and the Equal Credit Opportunity Act (ECOA), in connection with its credit decision.

Any granted commitment to purchase the loan will be subject to the following conditions precedent to Purchaser's purchase of the loan: 1) the loan is closed in conformance with this Eligibility Form, including without limitation satisfying all conditions cited herein; 2) to the extent material conditions are cited in post-close diligence that are unrelated to Purchaser's review of the credit file, the Seller has cleared or remediated each condition to the satisfaction of Purchaser in its sole discretion; and 3) Purchaser has not determined, in its reasonable discretion, that any aspect of the credit file appears fraudulent.

NON-OCCUPANT CO-BORROWER CERTIFICATION (10/01/2020)

NON-OCCUPANT CO-BORROWER CERTIFICATION

Borrower

Co-Borrower(s)

Property Address

I/We the undersigned certify that:

☐ I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).

☐ I/We attest that my/our income is/are being taken into account for qualifying purposes only.

☐ I/We attest that we do not currently, nor will ever occupy the above-mentioned Subject property.

☐ I/We attest that we will sign the mortgage or deed of trust note at closing.

☐ I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).

☐ I/We do not have an interest in the property sales transaction, such as the property seller(s), the builder(s), or the real estate broker(s).

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Seller to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower

Date

Co-Borrower

Date

Co-Borrower

Date

Co-Borrower

Date

OCCUPANCY CERTIFICATION (05/02/2022)

OCCUPANCY CERTIFICATION

Borrower

Co-Borrower(s)

Property Address

I/We the undersigned certify that:

☐ Primary Residence – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/we will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Seller otherwise agrees in writing.

☐ Second Home – I/we will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

☐ Investment Property – I/we will not occupy the Property as a principal resident or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

REFINANCE ONLY (the following **must** be completed on a refinance transaction)

☐ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Seller to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower

Date

Co-Borrower

Date

Co-Borrower

Date

Co-Borrower

Date

PRE-CLOSE SUBMISSION CHECKLIST - DELEGATED (07/15/2024)**NON-AGENCY PRE-CLOSE SUBMISSION CHECKLIST**

VERUS SELLER GUIDE SHOULD BE USED FOR ELIGIBILITY

- ☐ Copy of Loan Estimate
- ☐ Rate Lock Disclosure
- ☐ Application for all borrowers/guarantors
 - Consumer Purpose: FNMA 1003 application
 - Business Purpose: FNMA 1003 or similar application
- ☐ FNMA 1008 and/or Seller U/W approval worksheet
- ☐ Credit Report
 - Credit explanation letters
- ☐ Fraud Report
- ☐ Verification of Mortgage/Rent
- ☐ Employment/Income Verification
 - Standard Documentation (12- or 24- months)
 - Paystubs
 - W-2 or W-2 Transcript
 - Tax Return or Tax Return Transcript
 - YTD Profit & Loss Statement
 - Most recent 2- months business bank statements
 - 4506-C
 - Alt Doc Options
 - Bank Statement (12- or 24- months)
 - Income Worksheet (Bank Statement Calculator)
 - Personal and/or Business Statements
 - Document expense method utilized
 - Document borrower's ownership percentage of business and length of self-employment
 - P&L Statement Only (12- or 24- months)
 - P&L prepared or reviewed by CPA/EA/CTEC/Tax Attorney
 - Credentials for CPA/EA/CTEC/Tax Attorney
 - Document borrower's ownership percentage of business and length of self-employment
 - IRS Form 1099 (12- or 24- months)
 - 1- or 2- years 1099s
 - YTD income documentation
 - Written VOE
 - FNMA Form 1005
 - 2- months Personal bank statements
 - Asset Utilization
 - Most recent 3- months account statements, quarterly statement, or VOD
- ☐ Asset Verification
 - Account statements covering 30 days or VOD
 - Earnest Money Documentation (Purchases only)

- Gift Letter and supporting documents
- DSCR Gross Rent Documentation
 - **1-4 Unit:**
 - Long Term Rental
 - Comparable Rent Schedule from appraisal (1007/1025)
 - Lease agreement(s)
 - Short Term Rental
 - Comparable Rent Schedule from appraisal (1007/1025)
 - Most recent 12- month rental history (i.e., 3rd party rental report, borrower bank statements)
 - AirDNA Rentalizer and Overview reports
 - **5-8 Unit/2-8 Mixed Use:**
 - Long Term Rental
 - Comparable Rent Schedule from appraisal
 - Lease agreement(s)
- Property
 - Appraisal Report
 - **1-4 Unit:** FNMA 1004, 1073, or 1025 (1007 if applicable)
 - **5-8 Unit/2-8 Mixed Use:** FHLMC 71A, FNMA 1050, Narrative Report
 - **Other Appraisal Products** as applicable for Second Liens
 - Appraisal Review
 - **1-4 Unit:** CU[®]/LCA[®]Score or Enhanced Desk Review
 - **5-8 Unit/2-8 Mixed Use:** Commercial BPO
 - **Other Appraisal Review Products** as applicable for Second Liens
 - Copy of Executed Purchase Agreement/Sales Contract
 - Preliminary Title Report, tax cert, 24- month chain of title
 - Condo Questionnaire
- Insurance
 - Hazard Insurance
 - Flood Insurance (if applicable)
 - Commercial General Liability Insurance (if applicable)

PRE-CLOSE SUBMISSION CHECKLIST - NON-DELEGATED (07/15/2024)**NON-AGENCY PRE-CLOSE SUBMISSION CHECKLIST**

VERUS SELLER GUIDE SHOULD BE USED FOR ELIGIBILITY

- ☐ Copy of Loan Estimate
- ☐ Rate Lock Disclosure
- ☐ Application for all borrowers/guarantors
 - Consumer Purpose: FNMA 1003 application
 - Business Purpose: FNMA 1003 or similar application
- ☐ FNMA 1008 and/or Seller U/W approval worksheet
- ☐ Credit Report
 - Credit explanation letters
- ☐ Fraud Report
- ☐ Verification of Mortgage/Rent
- ☐ Employment/Income Verification
 - Standard Documentation (12- or 24- months)
 - Paystubs
 - W-2 or W-2 Transcript
 - Tax Return or Tax Return Transcript
 - YTD Profit & Loss Statement
 - Most recent 2- months business bank statements
 - 4506-C
 - Alt Doc Options
 - Bank Statement (12- or 24- months)
 - Income Worksheet (Bank Statement Calculator)
 - Personal and/or Business Statements
 - Document expense method utilized
 - Document borrower's ownership percentage of business and length of self-employment
 - P&L Statement Only (12- or 24- months)
 - P&L prepared or reviewed by CPA/EA/CTEC/Tax Attorney
 - Credentials for CPA/EA/CTEC/Tax Attorney
 - Document borrower's ownership percentage of business and length of self-employment
 - IRS Form 1099 (12- or 24- months)
 - 1- or 2- years 1099s
 - YTD income documentation
 - Written VOE
 - FNMA Form 1005
 - 2- months Personal bank statements
 - Asset Utilization
 - Most recent 3- months account statements, quarterly statement, or VOD
- ☐ Asset Verification
 - Account statements covering 30 days or VOD
 - Earnest Money Documentation (Purchases only)

- Gift Letter and supporting documents
- DSCR Gross Rent Documentation
 - **1-4 Unit:**
 - Long Term Rental
 - Comparable Rent Schedule from appraisal (1007/1025)
 - Lease agreement(s)
 - Short Term Rental
 - Comparable Rent Schedule from appraisal (1007/1025)
 - Most recent 12- month rental history (i.e., 3rd party rental report, borrower bank statements)
 - AirDNA Rentalizer and Overview reports
 - **5-8 Unit/2-8 Mixed Use:**
 - Long Term Rental
 - Comparable Rent Schedule from appraisal
 - Lease agreement(s)
- Property
 - Appraisal Report
 - **1-4 Unit:** FNMA 1004, 1073, or 1025 (1007 if applicable)
 - **5-8 Unit/2-8 Mixed Use:** FHLMC 71A, FNMA 1050, Narrative Report
 - **Other Appraisal Products** as applicable for Second Liens
 - Appraisal Review
 - **1-4 Unit:** CU[®]/LCA[®]Score or Enhanced Desk Review
 - **5-8 Unit/2-8 Mixed Use:** Commercial BPO
 - **Other Appraisal Review Products** as applicable for Second Liens
 - Copy of Executed Purchase Agreement/Sales Contract
 - Preliminary Title Report, tax cert, 24- month chain of title
 - Condo Questionnaire
- Insurance
 - Hazard Insurance
 - Flood Insurance (if applicable)
 - Commercial General Liability Insurance (if applicable)

SECURITY RELEASE FORM (03/07/2023)**SECURITY RELEASE FORM**

Date: _____

Seller Name: _____

Seller Address: _____

_____ ("Seller") hereby acknowledges that it has exclusive right, title and interest in the mortgage loans referenced in Schedule A ("Mortgage Loans") attached hereto and that the Mortgage Loans or any interest therein have not been pledged or assigned to any financial institution or other party. Seller further acknowledges that the bank account designated below is the Seller's business bank account. Immediately upon Purchaser receiving confirmation of the payment of the purchase proceeds to the account designated below, the Seller hereby agrees that all right, title and interest in the Mortgage Loan shall be released to the Purchaser.

Wire Instructions: _____

Bank Name: _____

City State: _____

ABA #: _____

Account #: _____

Account Name: _____

Bank Contact Name: _____

Phone Number: _____

Email Address: _____

Seller Contact Name: _____

Phone Number: _____

Email Address: _____

By (Signature)_____
Name (Printed)_____
Title

SPOUSAL CONSENT FORM (10/26/2020)**CONSENT OF SPOUSE**

I, **[Name of Spouse]**, spouse of **[Name of Guarantor]**, acknowledge that I have read the **[Guaranty]**, dated as of **[Closing Date]**, by **[Name of Guarantor]** (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of **[Name of Borrower]** ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of **[Name of Seller]** ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

Signed _____

Name of Spouse _____

Spouse Address _____

State of _____

County of _____

The foregoing instrument was acknowledged before me on this _____, 20____ by
_____ (spouse).

(Notary Seal)

Signature of Notary Public

TAXPAYER CONSENT FORM (10/01/2020)**Consent to Share Tax Returns**

Loan: _____

Borrower: _____

Date: _____

I understand, acknowledge, and agree that _____ ("Seller") and Other Loan Participants can obtain, use and share tax return information for purposes of (i) providing an offer; (ii) originating, maintaining, managing, monitoring, servicing, selling, insuring, and securitizing a loan; (iii) marketing; or (iv) as otherwise permitted by applicable laws, including state and federal privacy and data security laws. The Seller includes the Seller's affiliates, agents, service providers and any of aforementioned parties' successors and assigns. The Other Loan Participants includes any actual or potential owners of a loan resulting from your loan application, or acquirers of any beneficial or other interest in the loan, any mortgage insurer, guarantor, any servicers, or service providers for these parties and any of aforementioned parties' successors and assigns.

Borrower_____
Co-Borrower

VERIFICATION OF MORTGAGE (10/16/2023)

<p align="center">Request for Verification of Rent or Mortgage Account</p> <p>Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et. seq. or 7 USC, 1921 et. seq. (if USDA/FmHA).</p> <p>Instructions: Lender - Complete items 1 through 8. Have applicant(s) complete item 9. Forward directly to creditor named in item 1. Landlord/Creditor - Please complete items 10 through 18 and return directly to lender named in item 2. The form is to be transmitted directly to the lender and is not to be transmitted through the applicant(s) or any other party.</p>
--

Part I - Request			
1. To (Name and address of landlord/creditor)		2. From (Name and address of lender)	
I certify that this verification has been sent directly to the landlord/creditor and has not passed through the hands of the applicant or any other party.			
3. Signature of Lender	4. Title	5. Date	6. Lender's No. (Optional)
7. Information To Be Verified			
Property Address		Account in the Name of	
		<input type="checkbox"/> Mortgage <input type="checkbox"/> Land Contract <input type="checkbox"/> Rental <input type="checkbox"/>	
		Account Number	
I have applied for a mortgage loan. My signature below authorizes verification of mortgage rent information.			
8. Name and Address of Applicant(s)		9. Signature of Applicant(s)	
		X	

Part II - To Be Completed by Landlord/Creditor		
We have received an application for a loan from the above, to whom we understand you rent or have extended a loan. In addition to the information requested below please furnish us with any information you might have that will assist us in processing of the loan.		
<input type="checkbox"/> Rental Account	<input type="checkbox"/> Mortgage Account or <input type="checkbox"/> Land Contract	
10. Tenant rented from _____ to _____	11. Date account opened _____	12. Interest Rate _____ %
Amount of rent \$ _____ per _____	Original contract amount \$ _____	<input type="checkbox"/> FIXED <input type="checkbox"/> ARM
Number of late payments _____ *	Current account balance \$ _____	<input type="checkbox"/> FHA <input type="checkbox"/> VA
Is account satisfactory? <input type="checkbox"/> YES <input type="checkbox"/> NO	Monthly payment P&I only \$ _____	<input type="checkbox"/> CONV <input type="checkbox"/> OTHER _____
	Payment with taxes & ins. \$ _____	Next pay date _____
	Is account current? <input type="checkbox"/> YES <input type="checkbox"/> NO	No. of late payments _____ *
	Was loan assumed? <input type="checkbox"/> YES <input type="checkbox"/> NO	No. of late charges _____
	Satisfactory account? <input type="checkbox"/> YES <input type="checkbox"/> NO	Owner of First Mortgage
		<input type="checkbox"/> FNMA <input type="checkbox"/> FHLMC <input type="checkbox"/> Seller/Other
* Payment History for the previous 12 months must be provided in order to comply with secondary mortgage market requirements.		
13. Additional information which may be of assistance in determination of credit worthiness		

Part III - Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the USDA, FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.		
14. Signature of Landlord/Creditor Representative	15. Title (Please print or type)	16. Date
17. Print or type name signed in item 14		
18. Phone No.		

VERUS CONTACT FORM (07/15/2024)
VERUS CONTACT FORM

VERUS CONTACT FORM	
Main Number:	202-534-1816
Hours of Operation:	8:30 am – 5:30 pm CT
LockDesk@verusmc.com	Registration, locking, and extension questions
EastTeam@verusmc.com	Credit and file questions
WestTeam@verusmc.com	Credit and file questions
SystemSupport@verusmc.com	New user, password reset, general system, or system navigational questions
Collateral@verusmc.com	Pre-funding collateral document questions
MERS@verusmc.com	MERS questions
FinalDocs@verusmc.com	Post-funding final document collateral questions
Nondelteam@verusmc.com	Non-Delegated Team - General or loan level questions
Postcloseconditions@verusmc.com	Flow closed loan diligence or funding questions
Purchaseauditorteam@verusmc.com	Bulk closed loan diligence or funding questions
Servicingtransfers@verusmc.com	Servicing transfer questions

CHAPTER 7 - MATRICIES (07/15/2024)

(See separate Loan Matrices Document)