



**CITADEL**  
SERVICING CORPORATION

# **ODF Guide**

Dated:  
June 01, 2017

<b>TABLE OF CONTENTS.....</b>	<b>2</b>
<b>SECTION 1 – OUTSIDE OF DODD-FRANK (“ODF”) LENDING PROGRAM.....</b>	<b>15</b>
1.1 <i>The Dodd-Frank Act .....</i>	15
1.2 <i>Laws Covered by the Dodd-Frank Act (“DFA”) .....</i>	15
1.3 <i>ODF Purpose .....</i>	16
1.4 <i>Loan Documentation .....</i>	16
<b>SECTION 2 – BUSINESS PURPOSE .....</b>	<b>17</b>
2.1 <i>Business Purpose Exemption.....</i>	17
2.2 <i>Business Purpose Loan Request.....</i>	17
2.3 <i>Examples of Business Purpose .....</i>	17
2.4 <i>Required Documentation.....</i>	18
<b>SECTION 3 – NON-OWNER BUSINESS PURPOSE.....</b>	<b>19</b>
3.1 <i>Business Purpose Exemption.....</i>	19
3.2 <i>Program Highlights.....</i>	19
3.3 <i>Treatment of Disclosed Loans .....</i>	20
3.4 <i>Required Documentation.....</i>	20
<b>SECTION 4 – FOREIGN NATIONAL .....</b>	<b>21</b>
4.1 <i>Program Specifics .....</i>	21
4.2 <i>Eligible Borrowers .....</i>	21
4.3 <i>Non-Eligible Borrowers.....</i>	21
4.4 <i>Program Specific Documentation .....</i>	22
4.5 <i>Specific Closing Document Requirements.....</i>	22
<b>SECTION 5 – NON OWNER OCCUPIED (NOO) SINGLE FAMILY &amp; MULTI-FAMILY (1-4 UNITS) .....</b>	<b>23</b>
5.1 <i>NOO Exemption .....</i>	23
5.2 <i>Required Documentation.....</i>	23
<b>SECTION 6 – ADDITIONAL LOAN REQUESTS – ODF COMPLIANT .....</b>	<b>24</b>
6.1 <i>Rehabilitation Loan Requests (AKA “Fix &amp; Flip / Keep) .....</i>	24
6.2 <i>Property Listed for Sale .....</i>	24
6.3 <i>Cross Collateral.....</i>	24
6.4 <i>Credit Depth .....</i>	24
<b>CSC SELLER’S GUIDE INDEX .....</b>	<b>1</b>

---

## **SECTION 1 – OUTSIDE OF DODD-FRANK (“ODF”) LENDING PROGRAM**

### **1.1 THE DODD-FRANK ACT**

---

Formally termed the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into federal law by President Barack Obama on July 21, 2010 at the Ronald Reagan Building in Washington, D.C. It passed as a response to the Great Recession that formally started in 2008. It brought the most significant changes to financial regulation in the United States since the regulatory reform that followed the Great Depression. It made changes in the American financial regulatory environment that affect all federal financial regulatory agencies and almost every part of the nation's financial services industry.

Of primary concern to mortgage lenders are the provisions of Title XIV, all of which are part of the “Mortgage Reform and Anti-Predatory Lending Act including Subtitles A through F as well as sections 1032(f), 1076, 1083, 1094, 1098, and 1100A.

### **1.2 LAWS COVERED BY THE DODD- FRANK ACT (“DFA”)**

---

There are eighteen (18) separate laws amended by the DFA. Those that have significant impact on the mortgage lending community are:

- Truth In Lending Act (“TILA)
  - Real Estate Settlement and Procedures Act (RESPA)
  - Equal Credit Opportunity Act (ECOA & Reg. B)
  - Fair Credit Reporting Act (FCRA)
  - Home Owners Protection Act
  - Fair Debt Collection Practices Act (FDCPA)
  - Gram-Leach-Bliley Act (selected sections)
  - Secure & Fair Enforcement for Mortgage Lending Act (S.A.F.E.)
  - Home Ownership & Equity Protection Act (HOEPA)
  - Home Mortgage Disclosure Act (HMDA)
-

**1.3  
ODF PURPOSE**

Normally a consumer credit transaction will be subject to the provisions of the Federal Truth in Lending Act ("TILA"), Regulation "Z", the Real Estate Settlement Procedures Act ("RESPA"), and Regulation "X". However, TILA and Reg "Z" provided a number of exemptions for:

- Business Purpose Exemption;
- Credit Extension to Acquire, Improve, or Maintain Single Family Rental Property;
- Credit Extension to Acquire, Improve, or Maintain Owner Occupied Rental Properties of Two (2) or More Units;
- Credit Extension to Foreign National Borrowers;
- Loans on Properties of Twenty-Five (25) Acres or More; and / or
- Cross-Collateralized Properties With One Being Owner Occupied.

The mission of the ODF Loan Program is to provide financing to loan requests on a stated income with verified assets loan request under specific terms and conditions as specified by CSC.

Additionally, the ODF Lending Program on case-by-case basis is designed to address any lending opportunities that do not conform to CSC's Non-Prime Guidelines (NPG). Among those opportunities will be loan requests for Ability-to-Repay (ATR) complaint loans such as:

- Property listed for sale currently or in the very recent past;
- Borrower's with insufficient credit depth;
- Properties that are in need of repairs but are not subject to withhold of funds to make such improvements; or
- Any other request of a nature that does not conform to NPG but has merit with Senior Management approval.

**1.4  
LOAN  
DOCUMENTATION**

Each of the above purposes might have different requirements but all will contain:

- 1003 Loan Application;
- Handwritten loan purpose including use of proceeds where required;
- A conforming appraisal; and
- A Broker Price Opinion (BPO), if required by CSC Senior Management.

## SECTION 2 – BUSINESS PURPOSE

<b>2.1 BUSINESS PURPOSE EXEMPTION</b>	<p>Normally a consumer credit transaction will be subject to the provisions of the Federal Truth in Lending Act ("TILA"), Regulation "Z", the Real Estate Settlement Procedures Act ("RESPA"), and Regulation "X". TILA and Reg "Z" provided a number of exemptions; one of which is the business purpose exemption. To wit: Credit transactions involving extensions of credit primarily for business, commercial, or agricultural purposes.</p> <p>A seasoned real estate investor with 2+ rental properties (or if purchasing a 2nd rental property) will be held as an exemption to these rules in that their business is the ownership of real estate in their personal name. For qualification purposes, they will need to provide the same documentation as a standard NOO product.</p>
<b>2.2 BUSINESS PURPOSE LOAN REQUEST</b>	<p>CSC will consider mortgage loans secured by a Borrower's Personal Residence analyzing the proposed loan transaction as a whole for classification for a Business Purpose Loan provided that:</p> <ol style="list-style-type: none"> <li>1. The Borrower is currently self-employed or will be purchasing a business or franchise;</li> <li>2. The primary purpose of the loan is more than one-half (50%) proceeds are employed for the stated business purpose;</li> <li>3. The Borrower's primary occupation is or will be related to the current business or any acquisition for entry into or expansion of a business;</li> <li>4. Documentation is presented in the form of contracts or offers to purchase that provide the reason for the loan and how loan funds or a portion thereof will be deployed;</li> <li>5. The Borrower's statement of purpose for the loan; and</li> <li>6. Loan funds are credited to borrower's business directly through the HUD-1 at closing.</li> </ol>
<b>2.3 EXAMPLES OF BUSINESS PURPOSE</b>	<p>Specific examples of acceptable needs that may be fulfilled by a Business Purpose Loan:</p> <ol style="list-style-type: none"> <li>1. A loan to expand a business.</li> <li>2. A loan to improve a principal residence by building out a business office.</li> <li>3. A loan to buy equipment specific to a business.</li> <li>4. Loans on Property of twenty-five (25) acres or more.</li> <li>5. Investment in a Corporation, LLC, or other type of entity from which the Borrower intended to personally benefit.</li> <li>6. A borrower with 2+ rental properties (or if purchasing a 2nd rental property) may use either the Debt-Service Coverage Ratio method for the subject property on its own or an aggregate of net rental income for all rental properties to qualify.</li> </ol>

**2.4  
REQUIRED  
DOCUMENTATION**

---

The following is required to document a Business Purpose Loan request:

1. A complete and signed 1003 Application clearly delineating business debt obligations from personal ones. Note that ALL owners on title at the time of application are required to apply.
  2. A hand written statement signed by the Borrower(s) attesting in detail the use of all loan proceeds including the percentage for each purpose. The statement must also include what the resulting economic gain will be in the Borrower(s) estimation.
  3. Borrower(s) must clearly state as an individual the relationship to the business that employs the Borrower(s) and provide any documentation relating to that business entity.
  4. As a current business owner a CPA letter attesting to number of years of association.
-

---

## **SECTION 3 – NON-OWNER BUSINESS PURPOSE**

### **3.1 BUSINESS PURPOSE EXEMPTION**

---

Consistent with Reg X & Reg Z's Official Interpretation to §1026.3(a) where as an exemption exists for, among other items, compliance to ATR under certain circumstances. A loan coincides with said exemption when it is against a non-owner occupied investment used to "(i) acquire, (ii) improve, or (iii) maintain" said property. As the exemption relies on one of these three points, it should clearly be documented for the loan file. Specifically, a refinance loan transaction with cash out should primarily (read: more than half of the proceeds after lien payoff and closing costs) be for operating capital to the property and not simply cash-in-hand without regard. Documentation may come in the form of, but is not exclusively held to, contracts, purchase orders, maintenance agreements, etcetera.

Loans that are for a rate-and-term refinance to (as an incomplete list of examples) reduce the interest rate, move to a fixed rate product, or payoff a pending balloon lien are not considered Business Purpose as defined above and not available under this Section 3.

### **3.2 PROGRAM HIGHLIGHTS**

---

A loan in this Section 3 will:

- have a \$100k minimum loan amount;
- not be issued a Loan Estimate or Closing Disclosure,
- not be issued an upfront GFE or initial TIL;
- be non-owner occupied specifically, despite language in the Official Interpretation about use as a second home if occupied by the owner for fourteen (14) or less days annually;
- be limited to 70% maximum LTV / CLTV for both Purchase & Refinance transactions; and
- must follow any state overlays to the exemption if allowable.

Further under this Section 3, a loan need not comply with Regulation Z's ATR rule, whereas it is acceptable for a subject to have a negative DSCR (i.e.: less than 1.0). CSC will require an application include a declared income by the Borrower and underwriting will calculate a DTI based on such declaration without documentation to substantiate the income or any employment (self or wage) thereto. CSC's maximum DTI will remain at 50%.

Subject vacancy or tenant occupancy will not be a factor in this program.

In the event there is a conflict between the ODF Guidelines and ODF Matrix, the Matrix will prevail.

---

---

**3.3  
TREATMENT OF  
DISCLOSED  
LOANS**

Note that submission as a DSCR loan under Section [5] will produce Disclosures and a Business Purpose loan under Section 3 will not produce Disclosures. Despite this different practice in the providing of Disclosures, a file can swap from DSCR to Business Purpose, but not alternately, given the CFPB Official Interpretation to 3(a) addresses the scenario specifically that Business Purpose loans can be disclosed upon, without preempting the exemption status and “is not controlling on the question of whether the transaction was exempt.”

However, any loan that has received disclosures, even those under Section 3 should conform to the appropriate terms of those disclosures and be done correctly.

---

**3.4  
REQUIRED  
DOCUMENTATION**

CSC will consider mortgage loans on a purchase or refinance basis secured by a NOO 1-4 Unit property analyzing the proposed loan transaction as a whole provided that:

1. The Borrower states income reasonable at the sole discretion of CSC;
  2. The Appraiser provides a Rental Survey (Form 1007) delineating a dollar amount at which the unit or property might be rented;
  3. The Borrower(s) provide a handwritten statement of purpose for the loan; and
  4. A non-owner occupied investment must be used to “(i) acquire, (ii) improve, or (iii) maintain” said property:
    - Whereas the transaction is a purchase to “acquire” the subject, no additional documentation is required beyond the customary Purchase Agreement; or
    - Whereas the transaction is to “improve” or “maintain” the subject property, CSC should document a list of improvement or maintenance project(s) with their estimated costs as considered by a licensed contractor or tradesman relevant to the project(s). The Underwriter should consider if the cash-in-hand via the transaction is sufficient to complete the project(s) or document supplementary funds.
-



---

**SECTION 4 – FOREIGN NATIONAL**

<b>4.1 PROGRAM SPECIFICS</b>	<hr/> <p>Stated Income / Verified Assets for use in the purchase of Owner User &amp; Investment real estate. Eligible properties include:</p> <ul style="list-style-type: none"><li>• Single Family Residence (SFR)</li><li>• Planned Unit Development (PUD)</li><li>• Low &amp; High Rise Condo</li><li>• Duplex, Triplex, &amp; Fourplex (2-4 units)</li></ul> <hr/>
<b>4.2 ELIGIBLE BORROWERS</b>	<hr/> <p>Borrowers eligible under the Foreign National Program are:</p> <ul style="list-style-type: none"><li>• Non-Resident Alien is a Foreign National who is not authorized to live or work in the U.S. A true Foreign National may periodically visit the U.S. for various reasons including vacation and / or business. They may purchase property for either personal use or investment.</li><li>• Borrowers who are holders of Individual Tax Identification Numbers may be considered on a case-by-case basis for this program.</li></ul> <hr/>
<b>4.3 NON-ELIGIBLE BORROWERS</b>	<hr/> <p>Borrowers not eligible under the Foreign National Program are:</p> <p>Non-Permanent Resident Alien is a Foreign National who is permitted to reside in the U.S. on a temporary basis and may even have authorization to work in this country. (Note: Under specific circumstances such a borrower may be eligible under CSC's Non-Prime Lending Program). A borrower on a VISA may be eligible for a loan with CSC but on a case-by-case basis and based on the type of VISA.</p> <hr/>

**4.4  
PROGRAM  
SPECIFIC  
DOCUMENTATION**

1. Assets Held / Foreign Accounts:
  - Must be verified in U.S. Dollar equivalency at the current exchange rate via either [www.xe.com](http://www.xe.com) or the Wall Street Journal conversion table.
  - Sufficient funds to close must be on deposit three (3) days prior to any closing date
  - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.
2. Credit References:  
 In order to comply with Anti-Money Laundering (“AML”) and Office of Foreign Asset Control (“OFAC”) requirements, one of the following will be required:
  - A U.S. credit report with at least two (2) trade lines with minimum age of two (2) years for one trade line; or
  - An international credit report is required if a U.S. credit report cannot be produced; or
  - An original credit reference letter from an internationally known financial institution.

**4.5  
SPECIFIC CLOSING  
DOCUMENT  
REQUIREMENTS**

- A copy of current Passport, Visa, or ITIN.
- All loans must be closed with a title and closing agent approved and /or vetted by CSC.
- Power of Attorney is acceptable provided it conforms to CSC requirements and is acceptable to the title company.
- Documents signed outside of the U.S. may be notarized by a U.S. embassy or consular official. The certificate of acknowledgement must include the embassy or consular seal and be acceptable to the title company.
- For documents signed in a country that is party to the “Hague Convention Treaty Abolishing the Requirement of Legalization for Foreign Public Documents” a certificate of acknowledgment completed and signed by a notary public authorized or commissioned to perform such duties plus authentication by apostle in English and attached to the executed documents and certification of acknowledgement with title company acceptance is agreeable to CSC.
- Executed W-8 (BEN) IRS form.

---

## **SECTION 5 – NON-OWNER OCCUPIED (NOO) SINGLE FAMILY & MULTI-FAMILY (1-4 UNITS)**

### **5.1 NOO EXEMPTION**

Normally a consumer credit transaction will be subject to the provisions of the Federal Truth in Lending Act ("TILA"), Regulation "Z", the Real Estate Settlement Procedures Act ("RESPA"), and Regulation "X". However, TILA and Reg "Z" provided a number of exemptions; one of which is the NOO purpose exemption. To wit, credit transactions involving extensions of credit for the purchase or refinance of NOO single family residences or for Owner Occupied Multi-Family (2-4 Units) are not.

### **5.2 REQUIRED DOCUMENTATION**

CSC will consider mortgage loans on a purchase or refinance basis secured by a NOO 1-4 Unit property analyzing the proposed loan transaction as a whole provided that:

1. The Borrower(s) is currently employed or has verified assets to pay bills at the sole discretion of CSC;
  2. The Borrower states income reasonable at the sole discretion of CSC;
  3. The Appraiser provides a Rental Survey (Form 1007) delineating a dollar amount at which the unit or property might be rented;  
\*Note that actual rents will be used if the property is currently occupied.
  4. The Borrower(s) provide a handwritten statement of purpose for the loan; and
  5. The projected income on a PITIA basis should be equal to or greater than that payment (i.e.: a Debt-Service Coverage Ratio greater than or equal to 1.0).
  6. A borrower with 2+ rental properties (or if purchasing a 2nd rental property) may use either the Debt-Service Coverage Ratio method for the subject property on its own or an aggregate of net rental income for all rental properties to qualify.
-

---

**SECTION 6 – ADDITIONAL LOAN REQUESTS – ODF COMPLIANT**

<b>6.1 REHABILITATION LOAN REQUESTS (AKA “Fix &amp; FLIP / KEEP)</b>	CSC will consider for funding loans on properties that require rehabilitation and or improvements. Such loans are not to be considered construction loans but simply “home improvement” to improve or make a property habitable.
<b>6.2 PROPERTY LISTED FOR SALE</b>	CSC will consider for funding any property(s) listed for sale currently or in the recent past. While atypical, each such request will be considered on its own merit to a maximum Loan-to-Value of 65% based on a current appraisal and Broker Price Opinion.
<b>6.3 CROSS COLLATERAL</b>	CSC will consider more than one property as collateral for a loan request in the instance where there is insufficient equity to provide a reasonable Loan-to-Value. While it is preferable to have a first lien on any and all property offered as collateral for a loan, CSC will consider a second or junior lien position on one property from time to time.
<b>6.4 CREDIT DEPTH</b>	CSC may consider an individual loan request where the credit depth is insufficient to allow for inclusion in the Non-Prime Lending Program. Such a request will require sign off by senior management and may entail specific conditions or requirements.

NOTE: While the ODF program is primarily conceived as a Stated Income / Verified Asset Lending Program, CSC reserves the right to request full compliance with Ability-to-Repay (“ATR”) requirements where, in its sole discretion, CSC feels such compliance is applicable.



**CSC SELLER'S GUIDE INDEX**

Additional Loan Requests – ODF Compliant..	24	NON-OWNER OCCUPIED (NOO) SINGLE	
Business Purpose.....	17	FAMILY & MULTI-FAMILY (1-4 UNITS).....	23
Business Purpose Exemption .....	17, 19	NOO Exemption.....	23
Business Purpose Loan Request.....	17	ODF Purpose.....	16
Credit Depth .....	24	Program Highlights .....	19
Cross Collateral .....	24	Program Specific Documentation .....	22
Dodd-Frank Act.....	15	Program Specifics.....	21
Eligible Borrowers.....	21	Property Listed for Sale.....	24
Examples of Business Purpose .....	17	Rehabilitation Loan Requests (AKA .....	24
Foreign National .....	21	Required Documentation .....	18, 20, 23
Loan Documentation.....	16	Specific Closing Document Requirements .....	22
Non-Eligible Borrowers .....	21	Treatment of Disclosed Loans.....	20
Non-Owner Business Purpose.....	19		