ODF Plus Program (ODF+)
Underwriting / Appraisal Guidelines

Rev. 10 / 22 / 2018

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I. INTRODUCTION

A. ODF+ 5 Unit & Commercial Influence Program

1. Guideline Purpose

The following guidelines outline underwriting procedures for 5-unit or more residential properties or those properties with commercial influence or application located throughout the United States originated by Citadel Servicing Corporation ("CSC") under the Outside Dodd Frank Plus (ODF+) program. This document is intended to serve only as a guideline and reflects current lending product requirements, which may be altered at any time without prior notice.

2. Application & Submission Requirements

In order to apply for a loan, each prospective borrower / guarantor must complete a CSC loan application in its entirety as well as submit the following required documentation:

- Copy of state issued ID or passport for U.S. residents and copy of their Social Security Administration card;
- Rent verification as determined by CSC property occupancy requirements;
- Evidence of property insurance in a form acceptable to CSC;
- Evidence of borrower or guarantor liquidity (two consecutive bank / account statements);
- Property Management Questionnaire;
- Purchase contract or HUD Statement (if purchase transaction or if the subject property has been owned three (3) months or less than); and
- Entity Documentation (if applicable).

3. Loan Characteristics

a. Loan Term

The ODF+ Program is a fully amortizing 30-year fixed rate loan offering primarily 5/1 and 7/1 Adjustable Rate Mortgages ("ARMs").

b. Loan Amounts

- Loan amounts are subject to the ODF+ Matrix;
- Minimum loan amount is $150,000; and
- Maximum loan amount is $3,000,000.

c. Maximum Exposure

A maximum exposure of $3 million of ODF+ debt applies to all individuals to the extent they are serving as guarantors, either as direct borrower or as designated guarantor for an entity. Single loan exposure greater than $3 million is not permitted.

A maximum recourse exposure of $5 million across all CSC products (Maggi Plus / Non-Prime / ODF / ODF+) in any combination applies to all individuals to the extent they are serving as guarantors, either as direct borrower or as designated guarantor for an entity.

B. LTC, LTV, and DSCR Requirements

1. LTV Calculations

The Loan-to-Value (LTV) is determined by dividing the loan amount by the appraised value (applicable to the Program), which would be the "as-is" value. This calculation gives the percentage of the loan amount versus the appraised value, which is the LTV ratio. For example, a loan amount of $100,000 divided by an appraised value of $200,000 yields an LTV of 50%.

2. LTC Calculations

Loan-to-Cost (LTC) is determined by dividing the loan amount by the cost basis of the property. The Cost Basis (as defined below) is calculated by adding the Net Purchase Price (as defined below) to costs of any documented Renovation Expenses (see below). For example, the purchase price is $100,000 with $2,000 in interested-party-contributions and $10,000 in documented repairs, so the cost basis would be $100,000 - $2,000 + $10,000, which equals $108,000. A loan amount of $85,000 divided by the cost basis of $108,000 results in LTC of 79%.

3. Cost Basis

Remains inclusive of:

1) net purchase price and
2) renovation expenses as documented via capital improvements certification (copies of paid invoices and / or cancelled checks required for aggregate renovation expenses that are greater than one percent (1%) of the purchase price).

4. Net Purchase Price

This is defined as original purchase price plus any allowable fees / costs (see below) less any interested party contributions in excess of the five percent (5%) allowable.

a. Allowable Fees

Any assignment fees charged on behalf of a business or individual working as an intermediary is capped at 120% of the lowest sale price within the prior 12 months. These fees are usually added after a sale / bid fee and are not classified as broker commission tied to the sale. Additional costs and purchase fees may apply towards the determination of final purchase price if they are considered to be a market appropriate expense up to 10% of purchase price. Note, these fees are not allowed when properties are transferred by intermediaries and subject to the 120% cap above.

In addition:

- Allowable costs must originate from the original seller / owner on title or a third-party auction service / business working on behalf of the seller.
- These include but are not limited to: winning bid, sales / purchase price, buyer's premium, technology fees / web fees, and preservation fees.
- Seller concessions should be deducted from any final purchase price.
- Interested Party Contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property.
- Additional carrying costs and processing fees are not applied to the final purchase price. Examples of these fees include: late fees, property inspection fees, BPO fees, insurance fees, title fees, unpaid taxes, mailing costs, filing fees, closing fees, review fees, taxes / transfer / recording fees, escrow items, fees payable in connection with a loan, and processing fees.
- Acquisition fees paid to any entity owned by the purchaser are not applicable.

b. Interested Party Contributions (IPCs)

IPCs are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. Interested Party Concessions are limited to five percent (5%) of purchase price.

5. Renovation Expenses

This is defined as hard costs (labor and materials) to repair or improve the property post acquisition date. Renovation Expenses must be documented via capital improvements certification (copies of paid invoices and / or cancelled checks required for aggregate renovation expenses that are greater than one percent (1%) of the purchase price).

Soft costs including, but not limited to the below list are not eligible for inclusion in the cost basis determination:

- Builder's / Contractor's Fees
- Carrying Costs
- Closing Costs

- Fees for Plans and Drawings
- Food or Shelter for workers
- Inspection Fees
- Insurance Fees
- Permit Fees
- Regulatory Fees
- Survey Fees
- Utility Connection Fees

6. DSCR Calculations

a. Debt Service Coverage Ratio (DSCR)

CSC calculates the DSCR by dividing the sum of annual principal, interest, real estate taxes, property insurance, and homeowner's / condominium association fees (collectively, "PITIA") by the lesser of annual in-place rent or market rent (or a percentage of market rent if the property is not leased) using the methodology displayed in the following table:

STEP	CALCULATION / DESCRIPTION	SOURCE
1. Determine Gross Rent (if property is leased).	Verify the annual in-place rent for the subject property.	Executed Lease or immediately preceding two (2) months of rent payments for month-to-month properties
2. Determine Market Rent.	Verify the annual market rent for the subject property.	Appraisal rent addendum or comparable rent study
3. Apply Mark to Market Adjustment (if necessary).	If #1 is < 100% of #2, use #1; otherwise, use 100% of #2. If refinance and the property is vacant, prior confirmed lease rate serves as #1. If purchase and the property is vacant, use lesser of borrower estimate or 80% of #2. The result is the backend of the DTI ratio.	CSC Underwriting Model
4. Determine the Real Estate Taxes.	Verify current annual property taxes for the subject property.	Title Policy or the Current Real Estate Tax Bill
5. Determine the Property Insurance.	Verify annual insurance policy premium based on CSC requirements.	Approved Insurance Certificate or other Evidence of Insurance

STEP	CALCULATION / DESCRIPTION	SOURCE
6. Determine Association Fees (if applicable).	Verify the annual HOA Fees for the subject property.	Appraisal or the current HOA Statement
7. Determine Principal and Interest Payment.	Using final loan amount and interest rate, calculate annual principal and interest payment. NOTE: Principal does not apply to interest-only payments.	CSC Underwriting Model
8. Calculate PITIA.	Add items 4—7	CSC Underwriting Model
9. Determine the DSCR.	Divide #8 by the sum of #3.	CSC Underwriting Model

C. LTC / LTV / DSCR / Credit Score / Minimum Value Matrix

1. Loan Proceeds

CSC generally advances loan proceeds based on the lesser of the following:

1) Maximum LTV (Loan-to-Value) and LTC (Loan-to-Cost).
2) The Debt Service Coverage Ratio (DSCR) ratio.

2. Maximum Loan Amount Determination

The maximum loan amount for a property is determined by the lesser of Max LTV or Max LTC constraints per applicable property seasoning, property value, DSCR, FICO score, and loan purpose.

3. FICO or Credit Score

The maximum loan-to-value or loan-to-cost is determined by the median FICO or Credit Score of the primary borrower. If there are only two (2) scores, determination is made from the lower of the two credit scores.

II. Borrower / Guarantor Requirements

A. Borrowing Individuals

1. Individuals as Borrowers / Guarantors

CSC requires that all individual borrowers (non-entity) serve as recourse guarantors in the case of direct borrowers. All recourse is joint and several. Individuals serving as guarantors are required to be at least 21 years of age and have an ownership interest in the subject property.

2. Non-borrower on Title

Individuals with ownership in the subject property may remain on title without being a borrower / guarantor as long as they sign the mortgage deed of trust waiving their rights in favor of CSC's security in the property.

B. Borrowing Entities

1. Borrowing Entity Requirements

CSC requires at least one (1) qualifying individual with direct or indirect ownership ≥ 20% to provide a recourse guarantee in the case of an entity borrower. All recourse is joint and several in the case of multiple guarantors.

The Borrowing Entity must be a single purpose entity (SPE). CSC defines a SPE as an entity with no assets other than residential investment or rental properties; engaged only in the business of owning and operating residential investment or rental properties.

All entities that will hold direct ownership of the subject property and will be on title as a direct owner are required to be a borrowing entity.

2. Borrower / Guarantor Types

CSC will lend to, and require that title to the collateral be held, either (i) directly by an individual person(s) or (ii) by an entity acceptable to CSC in its sole discretion as further detailed herein.

CSC requires at least one guarantor to have prior homeownership experience. At least one (1) borrower / guarantor on the loan must attest on the application that they are not a first-time homebuyer. If prior home ownership is not evident within the loan file documentation the underwriter reserves the right to condition for supporting documentation.

a. Entity / Guarantor Types Allowed

Corporations (C and S Corp), LLC, LLP, LLLP, LP, and Sole Proprietorship are eligible. Revocable Trusts are eligible; however, they require full Trust review to confirm.

b. Entity / Guarantor Types Not Allowed

Cooperatives, Irrevocable Trusts, and Joint Ventures are not allowed.

c. Entity Documentation Requirements

Entity Documentation requirements are as follows (as applicable):

- Operating Agreement that includes authorization to borrow and designates signers
- Certificate of Formation / Articles of Organization
- Certificate of Good Standing or equivalent document
- Certificate of Foreign Qualification or other qualification to operate in the state where business is being conducted (if entity is formed in a state other than where business is being performed)

C. Borrower / Entity / Guarantor Diligence

1. Standard Due Diligence

CSC employs a standard due diligence process throughout underwriting and relies on complete and accurate information to make appropriate credit decisions. This approach requires the timely receipt of critical documents from both borrowers / guarantors and third-parties.

Borrowers / guarantors are responsible for a number of items to facilitate the due diligence process. CSC may at any time during due diligence request additional information not included in Section I that it deems necessary for making a lending decision.

2. Expiration for Borrower & Guarantor Due Diligence

Borrower / Guarantor Due Diligence (DD) as described above is required to be current as of the date of any loan approval or draw as outlined below (***table continues on next page***):

CRITERIA	ENTITY	U.S. CITIZEN OR PERMANENT RESIDENT
DD Required	≥ 20% direct or indirect interest or managing control	All borrowers, guarantors, or owners with managing control or with ≥ 20% direct / indirect interest
Country Domiciled	U.S.	U.S. Citizen – Any Other – U.S. Only
Can be a guarantor	No (Individuals Only)	Yes
Required - for Non-Guarantor (in the case of LLC)	1. OFAC 2. Background / Litigation Search	1. OFAC 2. Background / Litigation Search
Additional required documentation for Guarantor(s)	N / A	1. Credit Report 2. Statement of net worth (per app) 3. Verification of minimum liquid assets (if required)
Guarantor Minimum Qualifying Credit Score	N / A	660
Minimum Credit Score for all Borrowers / Guarantors	N / A	600
Bankruptcy	None in past 24 months	None in past 24 months
Foreclosure, Short Sale, Deed-in-lieu	None in past 24 months	None in past 24 months
Mortgage late payments	None permitted at closing	None permitted at closing
30-day late mortgage payments	None in past 6 months; no more than 1 in past 12 months	None in past 6 months; no more than 1 in past 12 months
60+day mortgage late payments	None in past 24 months	None in past 24 months
Other secured entity debt	Permitted	Permitted

3. Background Check Requirements

In order to determine the acceptability of the application, CSC reviews the background of (i) in the case of entity borrowers, (x) the entity and (y) the recourse guarantor(s), and (z) any party (individual or entity) that owns 20% or more of the entity directly or indirectly or has managing control; and (ii) in the case of an individual(s) as direct borrower(s), all such individuals (collectively, with respect to (i) and (ii) the “Key Principals and Entities”).

CSC orders background checks on all Key Principals and Entities from Checkpoint, LexisNexis or another comparable provider that includes: criminal history, OFAC searches, litigation, judgment, and lien searches.

III. Borrower & Guarantor Profile

A. Creditworthiness Assessment

1. Borrower / Guarantor Review

CSC undertakes a review of each borrower and its guarantor(s) and principal(s) (as applicable) in order to establish the credit worthiness in regards to the standards throughout this guide.

Individuals are not permitted to serve as borrowers / guarantors or in the case of entity borrowers, 20% or more owners, control parties, or guarantors where there is evidence of:

- Bankruptcies, foreclosures, short sales, or deeds-in-lieu within 48 months;
- Past felony convictions or adjudications;
- Inclusion on the OFAC list; or
- Any non-current mortgage payables, any 60+ day late mortgage payments within preceding 24-month period (in case of entity borrower – applies to guarantor only).

B. Asset Liquidity

1. Liquidity Requirements

a. Positive Net Worth / Six Months PITIA

For all loan requests greater than or equal to 65% LTV, Guarantors must provide a statement of positive net worth. Guarantors are required to evidence liquidity equal to a minimum of three (3) months PITIA for the subject property in addition to cash-in required for the subject loan. Required proceeds for cash-in is defined as the difference between a net purchase price or payoff plus any hard payables (liens, judgments, debts to be paid off, etcetera), and the subject loan amount. Determination if a borrower / guarantor meets Liquidity Requirements is made at Underwriting and does not include closing costs and pre-paids as they are subject to change, so if there is a change in closing costs or pre-paids at closing the Liquidity Calculation is not impacted.

An additional three (3) months of liquidity, to a maximum of six (6), is required for each of the following conditions:

- Greater that 65% LTV;
- Guarantor owns five (5) or more additional financed properties; and / or
- Property is vacant at the time of close.

Six (6) Months PITIA Base Liquidity	
Condition / Loan Feature	Liquidity Add-on
> 65% LTV	+ 3 Months
Vacant Property	+ 3 Months
5+ Financed Properties	+ 3 Months

b. Transaction Specific

Liquidity is transaction specific, so if the borrower / guarantor is doing multiple loans with CSC at the same time the liquidity requirements for each of those loans is independent of the other loans. For example, if the borrower / guarantor has four (4) loans in process with CSC and each loan independently requires $10,000 in Liquidity then the borrower / guarantor only needs to verify $10,000 in liquid assets to meet the requirement for each of those four (4) loans.

c. Liquidity Requirement Example

Net Purchase Price	$	150,000
+ Tax Lien	$	10,000
- Loan Amount	$	112,500
= Cash In	$	47,500
+ Required Reserves	$	9,000
= Liquidity Required	$	56,500

d. Eligible Asset Types

Eligible Assets for Liquidity Consideration	
Asset	**Maximum Consideration**
Checking Account (DDA)	100%
Money Market Account	100%
Mutual Funds	100%
Bonds	100%
Certificate of Deposit	100%
Savings Account (SAV)	100%
Life Insurance Cash Surrender Value	100%
1031 Exchange Funds	100%
Stocks	100% (NYSE / NASDAQ)
IRA (Roth / Self Directed), 401K, Pension Plan, Annuity	70%

Eligible Assets for Liquidity Consideration	
Asset	**Maximum Consideration**
Undrawn HELOC (Primary Residence)[1]	50% of Available Balance
Secured Loan Proceeds[2]	100%
Cash Out Proceeds from Subject Transaction	100% (Max 65% LTV to use cash proceeds from other CSC loan)
Cash Out Proceeds from Other CSC Transaction	100% (No LTV restrictions to use cash proceeds from other CSC loans
Gift Funds[3]	May count for up to 50% of required cash-in liquidity (up to a maximum of $100,000); gift funds are not eligible for eligibility reserves.

e. Ineligible Asset Types

Ineligible Assets for Liquidity Consideration
Pledged / Restricted Accounts
Asset Statements not owned / vested in borrower / guarantor's name
Fixed Assets (Real Estate, Vehicles, Equipment, etcetera)
Other: Inventory / Accounts Receivable
Stock Options and Restricted Stocks
Unsecured Loan Proceeds (signature loans, credit card or cash advance, student loan, peer to peer loan, business loan, and / or payday loan)
College Savings Account (529, etcetera)
Digital Currency (Bitcoin, etcetera)

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1 HELOC availability can be used if HELOC is tied to a primary residence. Available undrawn proceeds will have a 50% haircut in eligible amounts toward verified liquidity.

2 100% of the funds from a Secured Loan / Line of Credit to include HELOC and placed in another liquid asset type are eligible to be used toward verified liquidity. Security for the loan / line of credit must be a tangible asset. Funds secured against items like an equity pledge in a business or accounts receivable for a business are not eligible and are considered unsecured for CSC liquidity purposes.

3 Gift funds are allowed from a relative, defined as the Borrower / Guarantor's spouse, child, or other dependent, or by any other individual who is related to the Borrower / Guarantor by blood, marriage, adoption, or legal guardianship. A maximum of $100,000 in cash-in funds allowed. Gift funds may count for a maximum of 50% of required cash-in liquidity, however are not eligible for liquidity reserves.

f. Liquidity Access Requirements

To be used towards the liquidity calculation the borrower / guarantor must have ownership of and current access to the funds, which must be documented in the file. Funds with access restricted to a future event or period of time are not eligible to be used.

Examples of (but not limited to) several types of assets that would be ineligible as the borrower / guarantor does not have current access or access is restricted to a future event are as follows:

- 403B Local Government Retirement Accounts with current employer as the only access to these funds would be death, retirement, or job termination.
- Stock Options not yet redeemed
- College Savings Plans (529 Plans)
- Business Accounts Receivables owed not yet collected

2. Liquidity Documentation Requirements

Liquidity is verified via account statements from a U.S. depository institution with minimum 60 days seasoning. Requirements are outlined as follows.

a. Liquidity Statements Requirements

In order to be evaluated and considered for liquidity purposes, valid bank / brokerage / retirement statements must include the following:

- Banking / brokerage institution name
- Validation of account ownership
  - Borrower(s) / Guarantor(s) name and Business name if applicable
- Account number to include at least three (3) digits of account number
- Visible and legible dates
- Statements with ALL pages (i.e. deposit / credit details are required)
  - Electronic submission (i.e. photos, scans, faxes, etcetera) are acceptable as long as they are legible and include ALL of the above criteria
  - Microsoft Excel workbooks or other editable forms are not acceptable
- Liquidity Statements should consist of two (2) consecutive monthly statements; quarterly statements permitted if monthly statements are not available.

b. Borrower / Guarantor Personal Accounts

Two (2) months of current and consecutive bank, brokerage, retirement or cash value life insurance (CVLI) statements Quarterly statements are acceptable for accounts that do not provide a monthly statement. In the event that the account only offers a bi-annual or annual statement, the statement is acceptable with proof the current balance is equal to or greater than the most recent full statement balance. All non- depository personal accounts with large increases (more than 25%) since the most recent statement will require explanation and sourcing. Depository accounts must follow the Liquidity Sourcing Requirements below.

c. Borrower / Guarantor Business Accounts

Business bank or brokerage account:

- Requires full Operating Agreement that details ownership of the entity and access to funds in the entity's bank / brokerage account(s)
- OR requires official documentation (i.e. letter from the bank) substantiating the applicant is an authorized signer and has access to business account funds
- OR requires, at a minimum, a written letter from the applicant attesting to ownership AND access to the funds in the account
- If the business account is in the name of the borrowing entity then 100% of the funds are applicable, regardless of borrower / guarantor percentage of ownership in the entity
- If the business account is in the name of an entity other than the borrowing entity then the borrower / guarantor percentage of ownership will determine the amount of funds that are applicable

d. Borrower / Guarantor Trust Accounts

Bank or brokerage account held in the name of a Trust requires:

- Full Trust Agreement that details beneficiary and access to funds in the trust's bank / brokerage account(s); OR
- Official documentation (i.e. letter from the bank) substantiating the applicant is the beneficiary and has unlimited access to funds in the trust account.

In addition:

- Percent (%) of funds applied to liquidity is determined by Underwriting (i.e. if account ownership is less than 100%). Also note that eligible funds may be further reduced per applicable haircuts outlined in the Eligible Assets Table (Reference § III.B.1.d).
- The ending balance of the most recent statement is used to calculate the available liquidity.
- 100% of funds are allowable for joint personal accounts with spouses only (any other joint accounts, percent (%) of funds eligible for liquidity will be adjusted accordingly).

e. Gift Funds Documentation

- Gift Letter must:
  - specify the dollar amount of the gift;
  - specify the date the funds were transferred;
  - include the donor's statement that no repayment is expected; and
  - indicate the donor's name, address, telephone number, and relationship to the borrower / guarantor.
- Bank statement of Borrower / Guarantor sourcing deposit:
  - Must come from a domestic source
  - No international gifting allowed

3. Liquidity Sourcing Requirements

When bank statements are used to qualify, they must be evaluated to determine if large deposits are present.

Large deposits that are verified as any of the below do not need to be sourced:

- Payroll; bonus compensation
- Social Security; Disability income
- Unemployment income
- Transfers between borrower / guarantor's personal accounts
- Tax refunds
- Pension payments

Large deposits that are not identified as one of the sources above are defined below and are required to be sourced if needed to qualify for reserve levels. If the Underwriter can back out the deposit(s) or accounts(s) and the liquidity is still sufficient the deposits are not required to be sourced.

Large deposits meeting any of the below requirements require sourcing:

- Any deposit over 10% of the subject loan amount for loan amounts up to $750,000.
- Any deposit over 25% of the cumulative amount of documented liquid assets.
- All non-depository accounts with large increases in balances (more than 25%) since the previous statement balance.
- All Gift funds (per gift requirements).

Deposits in business accounts that can clearly be identified as normal business operations are not required to be sourced regardless of the number or size of the deposits. For example, an LLC that holds rental real estate property will likely have a series of deposits at the beginning of every month, if it is evident these deposits are rent collection activities then the source of these deposits is not required to be sourced. CSC underwriting has discretion on the application of this guidance and will need to explain their decision to waive sourcing.

The Underwriter will retain discretion to require sourcing if it appears the deposits have been structured to avoid the sourcing requirements above.

C. Credit Profile

1. Credit Score Requirements

The credit score for the loan is determined by the borrower / guarantor's tri-merge credit report (if only two (2) scores are returned, the lower of the two (2) is used as the representative score). Consult the CSC ODF+ Matrix for further information on representative scores that are eligible for financing.

In the case of multiple borrowers / guarantors with equal percentage of ownership, CSC uses the highest median score as the representative score. CSC will consider loan requests on a case-by-case basis to any person as a borrower or guarantor if they have a median FICO or credit score below 600.

If the borrower / guarantor has frozen credit bureaus the bureau information must be unfrozen and a new credit report pulled.

2. Credit Tradeline Requirements

ODF+ requires a minimum of two (2) trade lines with a minimum three-year (3-year) history on one (1).

3. Disputed Derogatory Tradelines

If there are multiple instances of disputed derogatory tradelines the Underwriter determines if the credit scores shown are an accurate representation of the borrower / guarantor's true credit profile. If the scores may have been manipulated the Underwriter may require the borrower / guarantor to document the disputed tradelines are inaccurate or require them to be removed from dispute and a new report pulled.

4. Excessive Authorized User Tradelines

If more than 50% of the borrower / guarantor's active credit tradelines are authorized user tradelines the Underwriter will determine if the credit scores shown are an accurate representation of the borrower / guarantor's true credit profile. If it appears the scores may be inaccurate as a result of the excessive authorized user tradelines the score may be determined to be ineligible.

5. Derogatory Credit Requirements

a. Mortgage Late Payments

Any non-current mortgage payables, 30-day late in the preceding six (6) months, more than one 30-day late in the preceding 12 months, and any 60+ day late mortgage payments within the preceding 24-month period (in case of entity borrower – applies to guarantor only) may subject the loan to pricing and / or LTV adjustments.

b. Judgments & Liens

Key principals and entities with liens, (whether federal, state, property or personal) or judgments not currently attached to the property or properties being financed that are less than or equal to $3,000 cumulatively are permitted to close without resolving them.

Key principals and entities with liens or judgments not attached to the property or properties being financed that are in excess of $3,000 up to a maximum of $10,000 cumulatively must be paid in full or reduced from the LTV (see formula below)

- Outstanding obligations described above may be allowed for items ≥$3,000 and <$10,000. In these cases, 150% of each outstanding obligation will be reduced from the maximum approved LTV for the subject loan.

Key Principals and Entities with liens and judgments in excess of $10,000 cumulatively must be paid in full.

Key Principals and Entities with liens and judgments currently attached to the property or properties being financed must be paid in full.

CSC allows payoff of all liens and judgments through escrow / title if necessary. Any payoff through closing requires an itemization on the final HUD. CSC may require evidence of payoff at closing.

Additionally, CSC orders tri-merge credit reports through Experian, Kroll, or other comparable provider on all individuals borrowing directly or guarantor(s) for the borrower if an entity.

c. Bankruptcy / Foreclosure / Short Sale / Deed-In-Lieu

CSC generally does not allow any bankruptcies, foreclosures, short sales or deed-in-lieu open / active / unresolved in the last four (4) years prior to application, but may consider with pricing and / or LTV adjustments.

6. Borrower / Guarantor Pending Litigation Requirements

Key principals and entities involved in pending civil litigation or open court cases are reviewed and approved on a case-by-case basis. This includes both law suits and pending cases. Any open court cases that could impact the performance of the loan are generally ineligible until properly resolved.

7. Borrower / Guarantor Criminal Records Requirements

Any criminal convictions or criminal adjudications, regardless of age, that involve any aspects of fraud, misrepresentation, financial crimes, or are considered acts of moral turpitude, will render the loan ineligible. Pending criminal charges that carry any potential incarceration or involve fraud / misrepresentation or acts of moral turpitude must be resolved (dismissed or exoneration) prior to closing. Felony convictions or felony adjudications regardless of age make the loan ineligible.

IV. PROPERTIES

A. Property Requirements

1. General

CSC provides financing only for residential units with the sole purpose of being leased as income property to non-borrower / guarantor-affiliated tenants as confirmed by lease (if applicable) and a business purpose affidavit.

2. Property Location

Financed properties must be located in the U.S. in States CSC has approved for financing consideration. Consult the ODF+ Matrix for specific state eligibility. CSC at its sole discretion reserves the right to restrict both eligibility and leverage for properties based upon individual characteristics of the property's zip code like population, growth, economic drivers, etcetera.

3. Minimum Property Value

All properties require a minimum value of $200,000 as determined by an independent FIRREA / USPAP appraisal obtained by CSC.

4. Eligible Properties

Property types considered for financing include the following:

- 5 Unit plus multifamily residences
- Mixed use
- Residential properties compliant with zoning and used for commercial use and capable of being returned to residential use in the future.
- Residential properties with commercial influence

5. Eligible with Special Considerations

Property types considered for financing with special considerations include the following:

- Bed & Breakfast use
- Congregate care facilities
- Rooming or Boarding houses
- Section 8 Housing

a. Modular Homes

Factory-built housing not built on a permanent chassis such as modular, prefabricated, panelized, or sectional housing is not considered manufactured housing and is eligible.

The property must meet the following:

- assume the characteristics of site-built housing;
- be legally classified as real property,
- conform to all local building codes in the jurisdiction in which they are permanently located; and
- must be appraised on a 1004 or 1025 appraisal form (1004C not eligible)

b. Section 8 Housing

The Housing Choice Voucher Program (Section 8) is acceptable. CSC requires copies of vouchers from the public agency to determine the monthly amount of rents and will confirm that charged rents are in line with voucher details.

c. Agricultural / Rural Properties

Properties that have an agricultural prefix in the zoning are allowed as long as there is no agriculture use, property is residential in nature, and typical for the market.

Rural properties often have large lot sizes, and rural locations can be relatively undeveloped. Therefore, there may be a shortage (or absence) of recent truly comparable sales in the immediate vicinity of a subject property that is in a rural location. Comparable sales located a considerable distance from the subject property, or properties over one (1) year can be used if they represent the best indicator of value for the subject property. The valuation must include an explanation of why the particular comparable sales were selected.

When reviewing a valuation on a property located in a rural or relatively undeveloped area, specific consideration is given to the characteristics of the property, zoning, and the present land use to determine whether the property should be considered residential in nature.

6. Ineligible Properties

Property types that are ineligible for financing include the following:

- Hawaii properties in Lava Zone 1 or 2
- Houseboats
- Manufactured homes, mobile homes, and on-frame modular homes
- Properties with illegal zoning or illegal use
- Properties with incurable environmental, health safety, or structural issues
- Properties occupied by Borrower / Guarantor

- Total or partially condemned property (including threatened or pending eminent domain)
- Unique properties
- Vacation / AirBnB / Seasonal
- Working farms, ranches, vineyards, or orchards

7. Property Zoning & Land Use

The appraiser must report the specific zoning class in the appraisal, along with a general statement as to what the zoning permits, such as one- or two-unit.

The appraisal must indicate whether the subject property presents:

- a legal conforming use;
- a legal non-conforming (grandfathered) use;
- an illegal use under the zoning regulations; or
- that there is no local zoning.

If a property has a *legal conforming* use it is eligible for financing; if the property has *legal non-conforming* use, it may be acceptable if:

- the property and the improvements can be rebuilt to current footprint and density in the event of a partial or full destruction, and the mortgage file includes either a copy of the applicable zoning regulations supporting the property can be rebuilt to current footprint and density or a letter from the local zoning authority that authorizes reconstruction to the current footprint and density; OR
- In the event the property can't be rebuilt to current footprint or density, CSC may consider accepting the property on a case-by-case basis at a reduced leverage.

If a property is an illegal use under the zoning regulations, it is ineligible for financing. A property with a designation of "no-zoning" is acceptable where the designation is consistent with the market.

Zoning use determined by CSC outside of the appraisal / valuation may be used if verified to comply with local zoning classifications.

8. Minimum Property Requirements

- Detached units must be at a minimum of 700 square feet in size
- Attached units must be at a minimum of 500 square feet in size; properties with more than one unit should provide an average minimum of 500 square feet in size
- Unit must contain within the main structure at least one fully functional full bath
- Unit must contain within the main structure a fully functional kitchen (must meet state or local codes)

9. Property Condition

Property condition will be verified and evaluated by CSC based on the appraisal report's "as is" or "as repaired" condition in the event of a "subject to" appraisal. The property must be habitable and in lease-ready condition with a condition rating of C4 or better.

CSC evaluates the following to determine lease-ready condition:

- Appraisal does not have any general comments that would indicate that the property is not marketable for lease as-is.
- Appraisal is free of any life safety / soundness hazards and material cost-to-cure items (Aggregate cost-to-cure of immaterial not to exceed 1% of the appraised value, with a maximum of $3,000 cumulatively).
- Appraisal photos are free of any evidence of material items that would impact the marketability or value of the property for lease.
- The property is currently leased as evidenced by a tenant occupied status on the appraisal or evidence of tenant occupancy is provided in accordance with the property occupancy requirements provided herein.
- Properties that receive a property condition rating of C5 or C6, or those not in lease-ready condition, are ineligible unless repairs are made prior to close and the final appraisal at closing has a condition rating of C4 or better. Appraisal "subject to" is ineligible unless a 1004D clears the property prior to close.
- Properties should have no known environmental issues which have not been mitigated including, but not limited to, radon, mold, exposed asbestos, or lead-based paint(s).
- Any properties requiring escrow holdbacks for repairs are ineligible for financing as this is evidence the property is not in lease-ready condition.

a. Deferred Maintenance Allowances

Cost-to-cure items that do not impact structure, safety and soundness above the previously mentioned maximum amount of $3,000 cumulatively may be reduced from the loan amount at 120% of the determined cost.

Examples of allowable items:

- Carpet Replacement
- Dated but Functional Appliance Replacement
- Driveway Sealing or Minor Repair
- Interior Door Replacement
- Interior / Exterior Painting (latex paint only)
- Landscaping
- Minor Drywall Repair
- Minor Siding Replacement or Repair
- Minor Tile Repair
- Pool Repair (assuming pool is either filled, covered or has safety fencing to remove any safety concerns)

- Replacement of Operational Windows (Broken Seal)

Example: Cost to Cure the deferred maintenance is \$5,000 on a \$150,000 appraised value, since the \$5,000 is greater than the 1% (\$1,500) and the \$3,000 maximum, the \$2,000 excess amount is subject to the 120% calculation or \$2,400. This \$2,400 would be removed from the maximum loan amount allowable.

10. Property Title

A lender's title insurance policy naming Citadel Servicing Corporation as the beneficiary is required in an amount at least equal to or greater than the original principal amount of the mortgage from a title insurer satisfactory to CSC. The title insurance policy must ensure that the title is free of any encumbrance or lien, other than the lien of CSC's security instrument acceptable and that the mortgage constitutes a lien of the required priority on a fee simple property. CSC will confirm the collateral property is free of any tax encumbrance and that all taxes are paid and current by closing. Title Indemnity Agreements and Mechanic Lien Endorsements may be requested by CSC, and under certain circumstances CSC may obtain receipt of appropriate lien waivers prior to disbursement of proceeds.

The title policy must be written on the 2006 American Land Title Association (ALTA) standard form because the 2006 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 date.

The Title Policy must meet the following requirements:

- Each property must be comprised of at least one (1) parcel which constitutes a separate tax lot and does not constitute a portion of any other tax lot not a part of such property. Properties comprised of more than one parcel are ineligible if additional parcels are not included as collateral.
- There must not be any liens for delinquent charges or unpaid assessments for homeowner's association dues or improvements as it pertains to the subject property. Any liens present on the title must either be released or paid in full prior to closing.
- No subordinate debt permitted at the time of close and no re-subordination will be allowed for the duration of the loan.

Any entity with direct ownership of the subject property must be a borrower / guarantor. Individuals with ownership in the subject property may remain on title without being a borrower / guarantor as long as they sign the mortgage deed of trust waiving their rights in favor of CSC's security in the property.

Property Survey is not required if the title agent indicates that the appropriate survey endorsement will be issued with the final policy; otherwise a valid survey may be required.

All parties to the loan must sign the closing documents, as CSC does not permit any of the loan documents to be signed with a Power of Attorney.

11. Miscellaneous Property Requirements

a. Utilities

Each property must have adequate rights of access to public or private utilities and public rights of way. If public sewer and / or water facilities, those that are supplied and regulated by the local government, are not available, community or private well and septic facilities must be available and utilized by the subject property. Private well or septic facilities must be located on the subject site. If there is reference in the appraisal to environmental hazards or any other conditions that affect well, septic, or public water facilities, the appraisal must address the effect of the hazards on the value and marketability of the subject property.

b. Private Road Maintenance Agreement

Properties located on private roads without a private road maintenance agreement are acceptable. Each property must be able to be accessed via a road which emergency and passenger vehicles can access the property in all types of weather. Private roads must be protected by permanent recorded easement (non-exclusive and non-revocable easement without trespass from the property to a public road) or the road must be owned and maintained by a Home Owner Association (HOA). Shared driveways must also meet these requirements.

c. Multiple Parcels

CSC allows properties with multiple parcels that meet the following requirements:

- Each parcel must be conveyed in its entirety
- Parcels must be adjoining
- Each parcel must have the same basic zoning (for example, residential, agricultural)
- The mortgage must be a valid first lien covering all parcels

Properties not meeting the above requirements may still be eligible on a case-by- case basis with reduced leverage.

12. Property Seasoning

Ownership history is considered for all refinance transactions. Generally, one borrower / guarantor must have been on the Title for a period of 12 months in the case of related party transfers and a period of six (6) months for non-related party transfers. Ownership transfers and seasoning outside of the prior requirements may impact cash-out proceeds or treatment of the loan as a refinance transaction.

In the case of transfer of ownership in an entity borrower, one (1) owner must have maintained a 20% or more ownership share in the property for a period of six (6) months. CSC will document all transfers of ownership in mortgaged properties for a period of 12 months prior to the loan application in the case of (a) below and six (6) months prior to the loan application in the case of (b) below.

a. Related Parties (married couple or immediate family members)

CSC requires background checks and credit reports on all parties to the transfer.

b. Unrelated Parties

CSC requires that transfers involving 20% or more interest, or that constitute managing control, must provide documentation to establish that the transfer was an arm's length sale with equitable consideration paid for such interests (i.e. settlement statement).

c. Property Transfer Requirements

If a property transfer was gifted, inherited or made other than for monetary consideration, CSC requires verifying documentation along with a letter of explanation from borrower / guarantor's attorney detailing:

- the reason for the transfer;
- that no ongoing obligation (monetary or otherwise) exists; and
- specifically, that there is no lien or profit-sharing arrangement outside of the organizational documents as a result of the transfer.

B. Occupancy & Lease Requirements

1. General Requirements

- All leases must be third party leases with no members of the borrower / guarantor or family members leasing or occupying the property. Borrower / Guarantor 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 / guarantor 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. CSC requires the borrower / guarantor to attest that all tenants are non-borrower / guarantor-affiliated and will review organizational charts for the borrowing entity, quality control reference tools (LexisNexis Background Searches or comparable provider), and names listed on the loan application for affiliation.
- Each leased property must be used for residential purposes. Corporate leases are acceptable with lease terms consistent with typical market standards and are subject to standard market rent verification.
- Properties may be leased to tenants on a maximum initial term of three (3) years. Month-to-month leases are acceptable provided that the tenant has been in place six (6) months or longer. A copy of the original lease and two (2) months of immediately preceding rent payments are required for month-to-month tenants. Seasoned Landlords (two plus (2+) years of experience and five (5) or more actively leased rentals documented) are not required to have the lease seasoning and are only required to document a valid lease and proof of one (1) month of month-to-month rent being received.

- Leased units for purchase transactions can verify rent by providing copies of recent rental payments or a seller or property manager signed verification of rent form.
- All vacant units utilizing 80% of underwritten rent will require receipt of leases.
- Leases containing a tenant purchase option are not permitted.
- Sale-and-leaseback agreements are not permitted.
- Leases must be in U.S. dollars.

CSC reserves the right to accept or decline any or all individual properties for inclusion in the loan.

2. Purchase Transactions

In the event of a purchase transaction when the property is vacant, CSC at its sole discretion may reduce the LTV or deny the loan request.

If there is an existing lease on the property that is being transferred to the borrower / guarantor in a purchase transaction, it must be verified that the lease does not contain any provisions that could affect CSC's first lien position on the property.

3. Refinance Transactions

Properties that qualify as refinance transactions, however are currently vacant due to recent construction or renovation, are eligible per vacant property requirements and underwriting. Construction or renovation must be evidenced in the appraisal and may require proof of recent Certificate of Occupancy or other occupancy compliance documentation.

C. Appraisal Valuation

1. Applicable Properties

a. Overview

Information in this document applies to the Citadel Servicing Corporation (CSC) Outside of Dodd-Frank Plus (ODF+) program for 5+ units, mixed-use commercial, residential-type office conversions (house converted to a commercial office, but functionally intact), and other multifamily and mixed-use sites. Ordering appraisals through an AMC is not required.

b. Multifamily Residential Properties

Multifamily residential is a classification of housing where multiple housing units for residential inhabitants are contained within one building or several buildings within a complex. For CSC and other mortgage lenders, multifamily means 5 or more units.

c. Mixed-Use Residential / Commercial Properties

Mixed-use residential/commercial is a classification of property that blends residential units with commercial space. An example of this property type is residential units above commercial retail units, office space, or perhaps a restaurant.

There are also properties mixed-use residential/industrial and mixed-use residential/rural properties, which are not under CSC's purview.

d. Other Commercial Influence Properties

CSC accepts other Outside of Dodd-Frank Plus (ODF+) properties such as residential converted to commercial use (such as a congregate care facility) or commercial converted to residential mixed-use (such as a converted warehouse with residential and office space).

2. Appraisal Report Forms

a. 2-4 Units

Fannie Mae Form 1025 / Freddie Mac Form 72 is used to evaluate 2-4 Unit properties, including those in planned unit developments (PUDs). If the subject is located in a condo community, appraiser to use Form 1025 (2-4 Units); for 5+ Units use Freddie Mac Form 71A or 71B as determined by transaction (loan amount) value or a Narrative Report.

Note: If transaction value is ≥ $2,000,000 a Narrative Report is required.

b. 5+ Units (Multifamily)

Freddie Mac Form 71A is used to evaluate 5+ Unit multifamily properties. Note that racial composition of a neighborhood is not considered a relevant factor and must not be considered in the appraisal. (Form 71B may be used for properties with a transaction value less than or equal to $750,000; however, Freddie Mac has taken the form out of circulation).

c. Mixed-use Residential < $2 Million

General Purpose Commercial Forms, such as those created by Appraisal Institute and made available through ACI, a la mode, Bradford Technologies, HomePuter®, and SFREP are used for mixed use residential/commercial properties with a transaction value less than $2,000,000.

d. All Loan Amounts ≥ $2 Million

A commercial Narrative Report (similar to this Example Narrative) is used to evaluate properties with a transaction value greater than or equal to $2,000,000. Narrative Reports may also be used in place of any of the above.

3. Income Producing Properties

a. Exclusions

CSC does not lend on mixed-use properties or commercial properties that have dry cleaning services as part of their operations (no exceptions).

If a property being evaluated is found to be utilizing toxic chemicals as part of its business / operations, appraiser to stop the property review and address issues / concerns with CSC point of contact for the assignment. CSC will determine whether the appraiser is to proceed with the assignment.

b. Rent Roll

Appraiser must obtain the current owner's certified rent roll (or pro forma if proposed or incomplete).

c. Income & Expense

Appraiser must obtain the current owner's certified income and expense statement (or pro forma income and expense statement at a minimum).

4. CSC Appraisal Standards

a. Uniform Standards of Professional Appraisal Practice (USPAP)

The Uniform Standards of Professional Appraisal Practice (USPAP) are the generally recognized ethical and performance standards for the U.S. appraisal profession, adopted by Congress in 1989. USPAP is updated every two (2) years so appraisers have information needed to deliver unbiased and thoughtful opinions of value.

Some applicable USPAP standards include:

Appraisal Function	Summarized Appraiser's Standard	Applicable Standards*
Evaluations for Lending	A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized.	1, 2, and Advisory Opinion 13
Appraisals for Lending	A lender needs an appraisal providing an opinion of value to ensure a loan is adequately collateralized.	1, 2, 9, & 10
Appraisal Review	A client needs to know whether or not an appraisal is credible.	3 & 4

* From 2018 / 2019 USPAP Guide, available online at:
https://nrpab-appraiserce.ne.gov/appraiser/public/USPAP_current.pdf

b. Appraisal Quality

All appraisal reports / narratives must be USPAP compliant, and must offer the following quality elements:

- Lead the reader to the Appraiser's situation and thought processes in the appraisal report;
- Provide Market Value of the subject property (an estimate of the "As Is" Market Value);
- Include the Cost Approach to valuation utilizing a current third-party data source and rate the quality of that data source;
- Include the Income Approach to valuation; and
- Include the Date of Value / Inspection.

5. Appraisal Commentary

a. Appraiser Comments

The Appraiser's comments must reflect the reconciliation of the adjusted or indicated values for comparable sales ("comps") and identify which elements were given the most weight when arriving at the appraised value of the subject property.

Any additional features, necessary repairs and / or modernizations, or physical, functional, or external inadequacies must be reported in the comments section(s) of the appraisal report.

b. Terminology

The Dictionary of Real Estate Appraisal (Sixth Edition) provides definitions of commercial real estate terms and is available on The Appraisal Institute's site. https://www.appraisalinstitute.org

c. Environmental Hazards

The Appraiser must comment on any effects of environmental hazards discovered on or near the site, the impact on marketability or value, and an estimate of the scope and/or cost to cure.

d. Additions or Alterations

If additions or alterations were made, the Appraiser must indicate whether additions / alterations comply with legal use code. If the appraisal indicates that additions or alterations were made without permits, the comment section must contain comments on the quality and appearance of the work.

e. Environmental and / or Energy Issues

Appraiser must indicate the existence of any adverse environmental conditions or the presence of special energy-efficient items on the property.

f. Health & Safety Issues

(i) Health and safety issues may include, but are not limited to:
- Broken window(s);
- Empty pool;
- Security bars not equipped with safety release latch;
- Upper level door without a balcony;
- Broken steps;
- Missing handrails on steps;
- Stairs consisting of four (4) or more levels; and / or
- Major electrical and / or plumbing repairs.

(ii) Carbon monoxide detectors and smoke detectors: Appraiser must investigate whether these are required by local regulators (State, County, and / or City ordinances) and indicate if they are (or aren't) in place as required within the property.

(iii) Security wrought iron bars:

(a) Appraiser must provide commentary regarding interior quick-release safety latches; all must comply with local health and safety code ordinances.

(b) Appraiser must comment whether or not the security bars have safety release latches.

(c) A property that has a minimum of three (3) unobstructed exits will not require safety latches on the security bars, unless required by local municipality; Appraiser to ensure security wrought iron bars are to code per local municipality.

(iv) Water heaters: In West Coast states, water heaters must be double-strapped per local health and safety code ordinances.

g. Deferred Maintenance – General

(i) The Appraiser must describe any deferred maintenance in detail, including the nature of repairs required and cost to cure.

(ii) Appraiser's comments must address any threat to an occupant's health, safety, and habitability.

h. Deferred Maintenance – Structural

(i) Appraiser must report structural deferred maintenance.

(ii) Structural deferred maintenance includes, but is not limited to:
- Basement leaks;
- Broken windows;
- Ceiling or wall damage;
- Door damage;

- Electrical / Plumbing;
- Foundation problems;
- Major exterior wall issues;
- Roofing/roof leaks;
- Termite damage / Wood rot; and / or
- Unstable / unlevel floors.

i. Zoning Status

(i) Appraiser to provide correct zoning information from the local municipality that has jurisdiction over the subject property.

(ii) Appraiser to give opinion of the legal status of improvements (i.e. Legal, Legal Non-conforming, or Illegal), as relates to current municipal code.

(a) If Legal Non-Conforming: Indicate which specific aspects of the subject are Legal Non-Conforming and state whether existing improvements can be 100% rebuilt if destroyed.

(b) If Illegal: Appraiser to stop the property review and address issues / concerns with CSC point of contact for the assignment. CSC will determine whether the appraiser is to proceed with the assignment.

j. Remaining Economic Life

Appraiser to provide an estimate of the remaining economic life of the subject property. The estimated remaining economic life must be no less than the term of the proposed new loan.

6. Required Elements / Attachments

a. Plat Map

In states where available, a plat map (a survey from the title commitment, if applicable) that shows the location of the subject property with the dimensions of the lot size must be included in the appraisal report.

b. Location Map

The location map must locate the subject property and all comparable properties (including sale, rental, and listing comps, as applicable). The map should also disclose the street names of the subject property and comps.

c. Addenda

(i) If the Appraiser determines supplemental addenda are required, the addenda must be attached to the appraisal report and incorporated into the report by reference.

(ii) Appraiser must comment on all forms of obsolescence, and specify causes.

(iii) If repairs are needed, the appraiser must list them and also estimate the cost to repair.

(iv) Appraiser to comment regarding any disparity between Appraiser's Gross Building Area (GBA) measurements and GBA measurements declared in public records and provide permits and / or public records validating the difference in GBA measurements.

(v) Regarding additions / conversions not reported in public records, Appraiser to indicate when work was originally completed and whether the work was done in a workmanlike manner; Appraiser must also comment if the type of addition / conversion is functional and conforming to the original structure.

(vi) If it is determined an improvement is illegal, Appraiser must disclose the illegal aspects of the subject property's improvements in the appraisal report (sketch and addendum commentary).

d. Floor Plan / Building Sketch

(i) The exterior sketch of improvements must include dimensions and calculations used by the Appraiser to determine the size of the subject property.

(ii) For multiple units (multiunit properties) the sketch must:

(a) Include layout and entries of each unit;

(b) Indicate the square footage of living area per unit; and

(c) Include the gross building area (GBA).

e. Photographs

(i) Appraiser must provide photographs (with descriptions) of the subject property, which are to include:

- Descriptive interior and exterior photographs of the subject property;
- Descriptive street scene photographs;
- Photos of all amenities, whether or not value is given;
- Photos of swimming pools, spas, any water features;
- Visual evidence of any potential health and safety concerns / issues;
- Visual evidence of any code violations; and
- Exterior photos of comps.

(ii) All photographs must be clear, and in color; pixilated or blurry photographs are not acceptable.

7. Appraiser Credentials

a. License

The Appraiser must provide a copy of his / her certification/license.

b. E&O Insurance

The Appraiser must provide a copy of his / her Errors & Omissions (E&O) Insurance policy, naming the Appraiser or Appraisal company as the insured.

8. CSC Collateral Analysis

a. Appraisal Review

CSC's Collateral Analysis Department will review the appraisal report and scrutinize information and values within.

b. Supporting Valuation

At its discretion, the CSC Collateral analysis Department may order an additional valuation product, such as a Broker Price Opinion (BPO), to support the value expressed in the appraisal.

D. Property Management

1. Professional Property Manager or Self-managed

CSC requires that the financed properties either (i) be managed by a professional property manager with experience in the subject market or (ii) be self-managed by borrower / guarantor or an affiliate.

Self-managed borrowers / guarantors must meet one of the following criteria:

- Two (2) years of experience managing income-producing real estate;
- A certification or equivalent coursework in real estate property management; and
- A completion certificate from the Institute of Real Estate Management (IREM) and National Association of Residential Property Managers (NARPM) for courses that cover all of the following topics: management agreement, ethics and legal issues, risk analysis, maintaining the property, financial tools, and marketing and leasing.

2. Property Management Questionnaire

CSC requires that a Property Management Questionnaire is completed by the borrower / guarantor in the case of self-managed properties and for the Property Management

Questionnaire to be completed by the property manager in the case of third party property management.

V. INSURANCE COVERAGE

A. General Insurance Information

1. Insurance Carrier Selection

Each borrower / guarantor has the right to select his or her own insurance carrier to provide coverage for the secured property provided that the policy and the insurer meet the requirements as outlined in this policy.

2. Acceptable Carriers

Acceptable insurers must be domiciled in the United States and / or licensed to do business in the state(s) in which the subject property / properties are located and must be written by a carrier that meets the following rating requirements. The carrier needs to meet only one of the following rating categories, even if it is rated by more than one agency.

Rating Agency	Minimum Rating	Minimum Size
Best's Insurance Reports	B	N / A
Best's Insurance Reports, Non-US Edition	A	VIII
Demotech's Hazard Ins. Financial Stability Ratings	A	N / A
Standard & Poor's Ratings Direct Insurance Service	BBB	N / A

3. Named Insured

The Evidence of Property Insurance must show the name of the borrower / guarantor exactly as it appears in the loan documents. Lender must be listed as the Mortgagee.

Citadel Servicing Corporation, ISAOA
15707 Rockfield Boulevard., Third Floor-#320
Irvine, CA 92618
Loan #: _________________

4. Notice of Cancellation

The policy, or state law, must require the insurer to provide notice of cancellation, termination, or non- renewal to the Lender at least 10 days prior to the change in coverage.

5. Policy Validity Dates

All required insurance coverage must remain in place at the required coverage at all times, for the life of the loan. In the event that insurance coverage lapses or becomes insufficient, CSC reserves the right to force-place insurance coverage at the borrower / guarantor's expense to ensure coverage remains adequate. In all instances the loan file must contain documentation of premium amount being paid.

a. Purchases

The loan file must contain verification the premium period is at least twelve (12) months from the day of closing and the premium has been paid in full. Installment payment of premiums is prohibited.

b. Refinances

If the existing policy currently in place expires within thirty days of the closing, there must be verification in the loan file that the 12-month renewal premium has been paid in full.

6. Deductible

The maximum allowable deductible for any insurance (Hazard, Flood, Wind, Condo, etcetera) covering a property loan is 5% of the loan amount.

B. Coverage Requirements

1. Hazard Insurance

Must protect against loss or damage from fire and lightning and other hazards covered by the standard extended coverage endorsement.

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke hail, and damages caused by aircraft, vehicle, or explosion.

Insurance must cover the lesser of 100% of the replacement cost as established by the property insurer or the unpaid principal balance of the mortgage. In any event not less than the amount necessary or containing such endorsements as are necessary to avoid the operation of any coinsurance provisions.

2. Flood Insurance

If any material part of the improvements located on a Mortgaged Property is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, the related Mortgagor is required to maintain flood insurance.

The terms and conditions of the flood insurance coverage must be at least equivalent to the terms and conditions of coverage provided under the standard policy of the NFIP for the appropriate property type. The Policy Declaration page of a policy is acceptable evidence of coverage and should include the appropriate flood rating zone.

The minimal amount of flood insurance required for one-to four-unit properties, individual PUD units, and certain individual condo units (such as those in detached condos, townhouses,) is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements;
- The maximum insurance available from the NFIP, which is currently $250,000 per dwelling; or
- The unpaid principal balance of the mortgage.

Flood coverage on new construction loans is required with evidence of coverage to be provided before the first rehab draw.

3. Condominium Insurance

Property Insurance must cover 100% of insurable replacement cost of project improvements, including individual units. An insurance policy that includes any of the following coverage, either in policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost–the insurer agrees to replace the insurable property regardless of the cost;
- Extended Replacement Cost–the insurer agrees to pay more than the property’s insurable replacement cost; or
- Replacement Cost–the insurer agrees to pay up to 100% of the property’s insurable replacement cost.

Policies with coinsurance provisions can create additional risk for an HOA in the event of a loss if the amount of insurance coverage is less than the full insurable value. Master property policies that provide coverage at 100% of the insurable replacement cost of the project improvements, including the individual units, alleviate the risk of a coinsurance penalty being applied in the event of a loss.

If the policy has a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% insurable replacement cost requirement has been met. If an Agreed Amount / Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost.

If the policy includes a coinsurance clause, but the coinsurance provision is not waived, the policy is still eligible if evidence acceptable to the lender confirms that the amount of coverage is at least equal to 100% of the insurable replacement cost of the project improvements. This evidence (documentation) must be maintained by the lender.

4. HO-6 Coverage

If the property is covered by a blanket master policy, in addition to covering the structure, fixtures, and furnishings of the common areas, these policies must cover all real property in the condominium structure including fixtures in individual units and any structural improvements, betterments, or additions that have been made to the individual unit. Regardless of the master policy type, if the unit interior improvements are not covered under the terms, an HO-6 policy with coverage in an amount sufficient to repair the condo unit to its condition prior to a loss claim event is required, as determined by the insurer.

5. Rent Loss / Business Interruption Coverage

Rent Loss Coverage is required on all ODF+ loans. The amount of coverage must be at least six (6) months of the gross in place rental income. In the event the property is currently vacant then the coverage must be at least six (6) months of the gross market rental income as determined by the appraisal.

6. Boiler & Machinery

Boiler and machinery policy is required where if the subject properties are 2-4 units and steam boilers, pipes, turbines, engines or other pressure vessels are in operation on the Property determined to include steam boilers. Insurance must cover the lesser of 100% of the insurable value of improvements, as established by insurer, or unpaid principal balance of the mortgage.

VI. CSC CREDIT DECISION LOGIC

A. General Decision Criteria

1. Factors Considered

CSC makes its final credit decisions based on a number of factors that include the following:

- Borrower & Guarantor history (i.e. credit & background)
- Leasing status
- Loan-to-cost
- Loan-to-value
- Market rent levels
- Other borrower & Guarantor level due diligence (e.g. financials)
- Other third-party diligence (i.e. appraisal, title, file reviews and inspections)
- Property cash flow
- Property location(s)
- Property quality
- Property seasoning
- Property type(s)
- Property valuations

2. Validation

CSC reserves the right to validate any references or other documentation received in the course of assessing an application. CSC considers many factors when granting a loan or extension of credit, including but not limited to a review of the applicant and guarantor from a relationship perspective to determine if the borrower / guarantor meets CSC's standard for credit and risk, as well as its underwriting guidelines.