INTERNAL MEMORANDUM

DATE: **March 9, 2022**
TO: **All Origination Staff**
FROM: **Craig Timmins, Managing Director**
RE: **Guideline Change on DSCR Loans**

Effective immediately, on loans using asset depletion, the amount of assets being used for income will be divided over 60 months for all loans. Previously, the asset amount was divided over the fixed rate portion of the loan.

Example: If the applicant has $60,000 in assets, the monthly income may be increased $1,000 ($60,000 ÷ 60 = $1,000)

A redline version of the guidelines is shown below.

SOURCE OF INCOME	RECEIPT HISTORY	CONTINUATION PERIOD	REQUIRED VERIFICATION	CALCULATION METHOD
ASSET DEPLETION	Not Applicable	~~Term of Loan~~Not applicable	• Copy of most recent statements with amount available and Current Yield or HUD-1 if Loan Proceeds are to be used.	~~Gross up with current yield divided by initial fixed term of the loan.~~ Divide asset amount by 60 and add the result to income. (Note: Funds used for asset depletion may not be used as reserves).

Additionally, we will be decreasing the LTV of Business Purpose Loans with a DSCR < 1.00 along with a rate add based on the coverage ratio. Previously, a loan with a DSCR < 1.00 had a 5% reduction in LTV along with a rate add of 0.375%. The grid of the new adjustments is shown below and will be updated on the Business Purpose Loan Rate Sheet:

DSCR	LTV Adjustment	Rate Add
0.90 - 0.99	-5%	0.375%
0.80 - 0.89	-10%	0.625%
0.70 - 0.79	-15%	1.000%
≤ .69	Management approval required	

Business purpose loans with a DSCR loan of less than 1.00 were approved under the previous guideline will be allowed to fund until April 8th. After the 8th, the loan will be subject to LTV reductions and rate adds noted above.