CITADEL
SERVICING CORPORATION

Program Guide

Three-Month Bank Statement Program

Dated:
November 09th, 2020

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EXHIBITS

1. SUMMARY

Citadel Servicing Corporation (“CSC”) has developed a Three-Month Bank Statement Program (“Program”) structured to be consistent with the CFPB’s regulations in connection to ATR while the Borrower’s qualifying income is documented with a single month’s statement.

This Program summary will examine and reference the ATR Regulations, bringing specific note to the lack of codification as to a minimum required amount of Third-Party Records (as defined therein) and the good-faith interpretation required in a loan’s underwriting.

Further, this Program was developed to be wary of the additional lender and investor risks associated with a decreased timeframe of associated income documentation and will outline the additional overlays and circumstances in which the program is reasonably deployed.

2. BACKGROUND AND REGULATORY OVERVIEW

Citadel Servicing Corporation is a non-prime mortgage lender that makes loans consistent with the ATR and generally considered to be non-qualified mortgages. CSC currently has a bank statement program that is consistent with the requirements under ATR to utilize “Third-party record[s]” to document income “reasonably and [make a] good faith determination”.

Under the eight-point test of ATR, the “Basis for Determination” under § 1026.43(c)(2)(i) is required to consider “[t]he consumer's current or reasonably expected income or assets”. Specifically, a Bank Statement is a document consistent with § 1026.43(c)(4):

> 4. VERIFICATION OF INCOME OR ASSETS.
>
> > iv. Financial institution records….

Separately, a financial institution, such as a bank or credit union, meets the definition of a Third-Party Record in § 1026.43(b)(13):

> Third-party record means:
>
> > i. A document or other record prepared or reviewed by an appropriate person other than the consumer, the creditor, or the mortgage broker, as defined in § 1026.36(a)(2), or an agent of the creditor or mortgage broker….
>
> OFFICIAL INTERPRETATION TO 43(b)(13)(i)
>
> Paragraph 43(b)(13)(i).
>
> 1. REVIEWED RECORD.
>
> > Under § 1026.43(b)(13)(i), a third-party record includes a document or other record prepared by the consumer, the creditor, the mortgage broker, or the creditor's or mortgage broker's agent, if the record is reviewed by an appropriate third party. For example, a profit-and-loss statement prepared by a self-employed consumer and reviewed by a third-party accountant is a third-party record under § 1026.43(b)(13)(i). In contrast, a profit-and-loss statement prepared by a self-employed consumer and reviewed by the consumer's non-accountant spouse is not a third-party record under § 1026.43(b)(13)(i).

Whereas § 1026.43(c) requires the consideration of ATR to be make a “good faith determination”, CSC finds that this Program is compliant under:

> OFFICIAL INTERPRETATION TO 43(c)(1)
>
> 43(c)(1) General requirement.
>
> ii. CONSIDERATIONS.

A. The following may be evidence that a creditor's ability-to-repay determination was reasonable and in good faith:

2. The creditor used underwriting standards that have historically resulted in comparatively low rates of delinquency and default during adverse economic conditions; or

3. The creditor used underwriting standards based on empirically derived, demonstrably and statistically sound models.

When deployed to the appropriately qualified borrowing base, CSC has empirical knowledge that a program with the documented income at this Program's threshold, has resulted in historically low levels of delinquency or default.

As a validation, CSC previously obtained an Opinion Letter, attached as Exhibit 1, to review a similar program – CSC's One Month Bank Statement program ("1MBS") – to this proposed Program. The Opinion was written by R. Andrew Arculin of Venable LLP. Mr. Arculin's previous work history included time at the CFPB where "he served as lead attorney for various CFPB rulemakings"[1]. CSC has engaged Mr. Arculin to review this Program proposal and update the Opinion Letter.

[1] R. Andrew Arculin Professionals Venable LLP, Venable LLP, 2020 09 28, https://www.venable.com/professionals/a/r-andrew-arculin.

3. CREDIT PERFORMANCE OVERVIEW

CSC has empirical knowledge that a similarly documented program has resulted in historically low levels of delinquency or default.

The attached Exhibit 2 reflects CSC's servicing portfolio of loans as of 02/29/2020. Measuring CSC's different programs for documenting qualifying income in a pre-COVID-19 (stable economic) environment, the more aggressive 1MBS program had ~0.8% delinquency. Compared to other, more established non-QM programs, the 1MBS program fared measurably better in terms of delinquency against 12- or 24-month versions. Also, based on the high credit standards, the 1MBS program also outperformed fully documented income programs akin to QM's Appendix Q.

The 1MBS maintained this low delinquency measurement over a greater than $620M portfolio, a substantial sample size, representing ~17.6% of CSC's total servicing portfolio at the time. As reflected in Exhibit 3, this low delinquency was continuous for the duration of the stable economic period.

In a period of disruption to the market and economy due to COVID-19, CSC's 1MBS was impacted and had an increase in delinquency and defaults. However, as reflected in Exhibit 4, the 1MBS program maintained a lesser rate of delinquency of ~9.3% compared to the weighted average against 12- and 24-month bank statement programs of ~11.2% and even fully documented programs of ~9.7%. Of note, CSC's customary business model is to sale originations and retain the servicing. As such, the capital partners that own the economic interest in these loans provide input and approvals for measures such as deferrals, forbearance, or other loss mitigation strategies. Generally, these capital partners approached all loans requesting relief from COVID-19 in a uniform manner unprejudiced by the method in which the initial loan application documented income / qualified.

As additional comparison on CSC's servicing performance, CSC securitized ~$50M of loans in 06/2020 as CTDL 2020-1. Of the loans in the securitization and with the passage of time from the initial market disruption due to COVID-19, CSC did not issue deferrals based on a borrower's verbal assertion. Borrowers were required to prove impact and capacity by completing a hardship package. This was in alternate to several investor's instruction to issue on-demand deferrals to borrowers. CTDL 2020-1 again reflects a 1MBS with limited delinquency and defaults as reflected in Exhibit 5.

Similar to the 1MBS, this proposed Program will maintain strict evaluation of both credit and collateral; however, it will take a more conservative review of capacity (ATR). The proposed Program is well supported by prior historic performance in both periods of economic stability and disruption.

4. PROGRAMS

Citadel Servicing Corporation has multiple programs available for transactions that document qualifying income via bank statements. However, given the further reduction itemized below in required documentation for qualification, CSC will further differentiate this Program for the purpose of managing risk and pricing as addressed below.

The Three-Month Bank Statement Program will be limited to:

- Pricing on its own program matrix with applicable rate adjustments;
- Self Employed Borrowers (two-year history required by (i) CPA Letter or (ii) Business License);
- Maximum DTI based on LTV:
  - LTV ≤ 65%: 50% maximum DTI; or
  - LTV > 65%: 43% maximum DTI;
- U.S. Residents;
- Borrowers with a minimum credit score of 675;
- Borrowers with a minimum credit depth, each paid as agreed, of:
  - Three (3) accounts each with three (3) years or rating depth;
  - A "recent" mortgage for prior twenty-four (24) months;
    - "Recent" rating to be considered as being effective no further seasoned then 120 days from the date of application;
    - No recent mortgage rating to be considered at reduced LTV;
- First Time Home Buyers considered at reduced LTV;
  - Must have a minimum two (2) year documented rental history;
  - Program not available to FTHB with no rental history;
- No credit events, each measured from last offending date or cure date, including:
  - Mortgage delinquency(ies) for two (2) years;
  - Mortgage forbearance / deferral for eighteen (18) months;
  - Bankruptcy for five (5) years;

  - Foreclosure for five (5) years;
  - Short sale or Deed-in-Lieu for five (5) years;
  - No charge offs, collections for two (2) years; or
    - Medical collections not considered;
  - Tax liens or Judgements for two (2) years;
- Owner Occupied transactions;
- SFR / Condo / Townhouse Property Types;
- Most recent personal or business account's bank statement with no NSF's and positive ending statement;
  - Personal accounts take 100% of deposits, does not consider source (counter versus transfer), and excludes deposits as result of a debt / loan;
  - Business accounts take percent of deposits as 50% or 70% based on LTV limit, does not consider source (counter versus transfer), and excludes deposits as result of a debt / loan:
    - LTV ≤ 65%: 70% maximum deposits as revenue (30% haircut to deposits for business overhead / expense factor); or
    - LTV > 65%: 50% maximum deposits as revenue (50% haircut to deposits for business overhead / expense factor);
- Closing Funds may come from the account provided for qualifying income and an Escrow Deposit Receipt is required;
- Reserve funds required by transaction type
  - Purchase or Rate & Term Refinance: 12 months of PITIA;
  - Cash-Out Refinance: 24 months of PITIA;
    - Cash-in-hand can contribute to Reserves;
- Income is supported by deposits, CSC Underwriter to confirm reasonable for job and compare to credit usage / history;
- CSC's customary 5/25, 7/23, or 30/30 programs;
- Minimum to maximum loan amount of $150,000 to $3,000,000;

- Maximum LTVs of 75% and 70% for purchase and refinance transactions respectively;
- Cash out is unlimited, unless otherwise limited specific within CSC's programs generally;
- Secondary Financing is not allowed;
- Property must be in good condition and conform to the area; and
- No rural properties.

5. PRICING MATRIX

Pricing Matrix specific to "Three-Month Bank Statement Program" attached as Exhibit 6.

6. UNDERWRITING GUIDELINES

Updated to CSC's Underwriting Guideline Book:

Add new content within Section 5 ("Income / Employment") in Subsection IV ("Income Documentation") under "Alternative Documentation / Bank Statements" header:

Three-Month Bank Statement Program

The Three-Month Bank Statement Program will be documented by & limited to:

- Self Employed Borrowers (two-year history required by (i) CPA Letter or (ii) Business License);
- Maximum DTI based on LTV:
  - LTV ≤ 65%: 50% maximum DTI; or
  - LTV > 65%: 43% maximum DTI;
- U.S. Residents;
- Borrowers with a minimum credit depth, each paid as agreed, of:
  - Three (3) accounts each with three (3) years or rating depth;
  - A "recent" mortgage for prior twenty-four (24) months;
    - "Recent" rating to be considered as being effective no further seasoned then 120 days from the date of application;
    - No recent mortgage rating to be considered at reduced LTV;
- First Time Home Buyers considered at reduced LTV;
  - Must have a minimum two (2) year documented rental history;
  - Program not available to FTHB with no rental history;
- No credit events, each measured from last offending date or cure date, including:
  - Mortgage delinquency(ies) for two (2) years;
  - Mortgage forbearance / deferral for eighteen (18) months;
  - Bankruptcy for five (5) years;
  - Foreclosure for five (5) years;

  - Short sale or Deed-in-Lieu for five (5) years;
  - No charge offs, collections for two (2) years; or
    - Medical collections not considered;
  - Tax liens or Judgements for two (2) years;
- Owner Occupied transactions;
- SFR / Condo / Townhouse Property Types;
- Most recent personal or business account's bank statement with no NSF's and positive ending statement;
  - Personal accounts take 100% of deposits, does not consider source (counter versus transfer), and excludes deposits as result of a debt / loan;
  - Business accounts take percent of deposits as 50% or 70% based on LTV limit, does not consider source (counter versus transfer), and excludes deposits as result of a debt / loan:
    - LTV ≤ 65%: 70% maximum deposits as revenue (30% haircut to deposits for business overhead / expense factor); or
    - LTV > 65%: 50% maximum deposits as revenue (50% haircut to deposits for business overhead / expense factor);
- Most recent personal or business account's bank statement with no NSF's and positive ending statement;
- Closing Funds may come from the account provided for qualifying income and an Escrow Deposit Receipt is required;
- Reserve funds required by transaction type
  - Purchase or Rate & Term Refinance: 12 months of PITIA;
  - Cash-Out Refinance: 24 months of PITIA;
    - Cash-in-hand can contribute to Reserves;
- Income is supported by deposits, CSC Underwriter to confirm reasonable for job and compare to credit usage / history;
- Maximum LTVs of 75% and 70% for purchase and refinance transactions respectively;

- Cash out is unlimited, unless otherwise limited specific within CSC's programs generally;
- Secondary Financing is not allowed;
- Property must be in good condition and conform to the area; and
- No rural properties.

7. DEFINITIONS

Ability-to-Repay ("ATR"): An eight-point test as provided under §1026.43(c)(2) for measuring and determining of a mortgagor's reasonably expected ability to repay a mortgage according to its terms as documented by third-party records.

Bank Statements: Third party records of an applicant's account with a on a monthly basis from a bank or other financial institution (as example, such as a credit union) licensed to receive deposits and provide other financial services.

CFPB: The Consumer Financial Protection Bureau or any successor thereto.

Official Interpretation: Supplemental commentary published by the CFPB provided to add clarification and explanation to specific provisions and subsections of to a denoted or referenced Act.

Regulation X: Real Estate Settlement Procedures Act ("RESPA") of 1974, as amended, 12 CFR, Part 1024.

Regulation Z: Truth in Lending Act ("TILA"), as amended, 12 CFR, Part 1026.

EXHIBIT 1

[IMMEDIATELY FOLLOWED BY OPINION LETTER DATED 08/14/2017]

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Memorandum

TO	Kyle Gunderlock President & Chief Operating Officer Citadel Servicing Corporation	DATE	August 14, 2017
FROM	R. Andrew Arculin	EMAIL	raarculin@venable.com
CC		PHONE	202.344.4588
RE	One-Month Bank Statement Program		

Executive Summary

Citadel Servicing Corporation ("Citadel") has requested an evaluation of its One-Month Bank Statement Program ("the Program") for compliance with the Consumer Financial Protection Bureau's ("CFPB's") Ability-to-Repay ("ATR") rule. The ATR rule requires Citadel to make a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay a covered mortgage loan[1] according to its terms as a precondition to making the loan. To satisfy this requirement, Citadel must consider, at minimum, the eight underwriting factors set forth in 12 C.F.R. § 1026.43(c), including the consumer's income or assets and either debt-to-income ratio ("DTI") or residual income ("RI"). Further, any qualifying income or assets must be verified using third-party records that provide reasonably reliable evidence of the consumer's income or assets.[2]

An evaluation of the Program for compliance with the ATR rule is set forth below. As discussed, the Program's compliance with the ATR rule is likely to rest on a court or regulator's willingness to view a single month's bank statement as reasonably reliable evidence of a borrower's income and / or assets, along with the overall soundness and reliability of the Program's underwriting. The Program's reliance on a single month's bank statement for verifying income would be novel, post-ATR rule, and thus subject to a level of legal risk. However, given the flexible and permissive underwriting and verification standards set forth in the ATR rule, there is support for the Program's compliance. To date, there is no regulatory or judicial precedent that indicates the Program as proposed would not comply. Citadel's proposed methodology for verifying income through the bank statement and reinforcing that verification through a consumer report and additional safeguards to further confirm qualifying income provides a plausible basis for compliance with the ATR rule's permissive income verification standards. In addition, Citadel will employ underwriting standards that are similar to (but more robust than) underwriting

[1] The ATR rule covers consumer credit transactions secured by a dwelling, with exceptions. *See* 12 C.F.R. § 1026.43(a).
[2] *Id.* § 1026.43(c)(4).

standards used for a past loan program that demonstrated strong loan performance and a low occurrence of default during adverse economic conditions, even were income and assets were not verified.

This evaluation is based on an interpretation of the regulatory text, commentary, and preamble discussion in the ATR Final Rule, webinars and other informal guidance provided by the CFPB, available judicial and supervisory precedent, and common industry practices available and identified as of August 14, 2017. These laws are subject to change and should be reviewed on a periodic basis to ensure that the conclusions in this assessment remain accurate. This evaluation also is based on the assumption that all other aspects of the ATR rule are met, including that the underwriting standards developed and applied by Citadel meet the requirements. This evaluation may vary, given different facts and circumstances.

I. Citadel One-Month Bank Statement Program

Citadel has developed a One-Month Bank Statement Program that will be limited in availability to Self-Employed Borrowers with good-to-excellent credit scores and credit histories and other specified criteria.

A. Program Availability

The Program is intended to serve low-risk, credit-worthy, self-employed borrowers and will be limited to borrowers and collateral that meet certain specific qualifications, set forth below.

<u>Borrower Qualifications</u>: The Program will only be available to borrowers who:

- Are self-employed (and can demonstrate a two-year history of self-employment by (i) CPA Letter or (ii) Business License);
- Are U.S. Residents;
- Have a minimum Credit Score of 700;
- Have a minimum credit depth of five (5) years with a minimum of three (3) accounts, each paid as agreed;
- Have no credit events (e.g., bankruptcy, foreclosure, short sale, etc.) within the last five (5) years, including consumer and mortgage loans;
- Are not first-time homebuyers;
- Have had a mortgage for a minimum twenty-four (24) months, again paid as agreed; and
- Have no charge-offs, collections, or tax liens.

Additional Limitations: The Program will only be available for:

- Owner-Occupied transactions;
- Single-Family Residences including condominiums and townhouse property types;
- Minimum to maximum loan amount of $250,000 to $3,000,000;
- Maximum Loan-to-Value ("LTV") ratios of 70% and 65% for purchase and refinance transactions respectively;
- Secondary Financing is not allowed;
- Property that is in good condition and conforms to the area; and
- No Rural properties.

B. Income Verification

In making the ATR determination, Citadel will consider a borrower's income along with other factors such as the borrower's credit history, employment history, and the length of time the borrower has been self-employed, balance of credit, credit score, borrower's assets, and other factors. The Program will seek to verify qualifying income through a single month's bank statement, in conjunction with a consumer report and other information that will be used to further confirm the income determination.

With respect to the bank statement, Citadel will verify and consider deposits, withdrawals, transfers, and the ending balance in order to confirm the borrower's declared and attested-to income. Citadel will further analyze the bank statement to verify that incoming deposits used to verify income are from employment and not from other sources, such as gifts, loans, or asset sales. Citadel's underwriters will analyze the bank statement and look for incoming payments with a line-item description attributable to business income and match those amounts to the expected periodic income that would correspond to the borrower's stated and attested to income. Citadel will then employ additional criteria to eliminate cash that is likely coming from other, non-employment sources like gifts, loans, or one-time asset sales. As an example, Citadel will examine the bank statement for deposits and immediate withdrawals of an exact amount, which may indicate a pass through and not reliable income. In the event that a potential pass through is identified, Citadel will not consider the incoming funds as evidence of income. Citadel also will examine the line-item descriptions of funds coming into the bank account, which are produced by the third-party financial institution and, in Citadel's view, are typically reliable indicators of the source of funds. Citadel will look for descriptions tied to the consumer's business and will not consider incoming funds with line item descriptions that appear to correlate to non-employment sources, such as loans, asset sale proceeds, gifts, or similar non-employment sources for purposes of verifying income. Using these methods, Citadel will eliminate incoming funds that it determines are unlikely to relate to employment income and only consider incoming funds from employment sources to verify income. In addition to this analysis, for a loan to pass underwriting, the bank statement will need to show a sufficient positive end balance and no non-sufficient funds warnings.

Citadel underwriters will take additional steps to further confirm a borrower's income. For example, Citadel will limit the Program to self-employed borrowers and require that applicants provide evidence of two years of self-employment through a CPA Letter or Business license that is in good standing. Citadel will further require a written declaration by the applicant of the applicant-owned company's headcount, age, corporate setup, and other details, which will provide further means of gauging likely revenue and income. Citadel's underwriters will analyze consumer reports for a series of non-metric indicators of income that may be derived from the borrower's credit history. For example, Citadel's underwriters do not customarily see an applicant with good credit and significant trade lines in both quantity and available credit (all positively paid as agreed) that makes minimal income. Thus, Citadel will analyze consumer reports for consistency between income stated and verified through the bank statement with the consumer's credit history. Citadel's underwriters also look to match a consumer's income and spending habits with information on the consumer report. For example, Citadel's underwriters would look for consumers with multiple credit cards that are all at the top end of their available limits and, where identified, may determine the consumer did not have the income to substantiate associated spending. These additional analyses will further confirm the consumer's income meets Program qualification requirements. Citadel's underwriters also will use other criteria to further confirm that income verified through the bank statement is reasonable and consistent with what members of the borrower's profession in the borrower's respective geographic area may expect to make, and also consistent with the borrower's credit usage and history.

C. Historical Performance of Similar Programs

The Program will layer bank statement income verification on top of underwriting criterial modeled heavily after a pre-Dodd-Frank loan program offered by LIFE Bank from 1994 through and including 1999 (the "Legacy Program"). The Legacy Program employed similar underwriting criteria with one critical difference – it did not verify stated income through a bank statement or any other means. Nevertheless, Citadel believes that the Legacy Program's underwriting (even without verifying income) shows historical reliability because it was employed for over five (5) years across approximately eight thousand to eleven thousand (8,000-11,000) loans, representing $2-3 billion ($2-3,000,000,000) of loans, and only resulted in a single default in its history. Further, it performed well during downturns in the housing and real estate financing markets during that time. This was without the added layers of underwriting that the Program will employ through bank statement income verification and the additional income verification methods.

II. ATR Requirement

The ATR requirement under the Truth in Lending Act ("TILA") and implemented by Regulation Z mandates that a creditor make a reasonable and good faith determination at or before the consummation of a covered mortgage loan that the consumer will have a reasonable ability to repay the loan according to its terms.[3] Although there are other specific requirements for "qualified mortgage" or "QM" status that afford a safe harbor or rebuttable presumption of compliance, the general ATR standard for non-QM loans requires creditors to consider eight underwriting factors and verify the information relied upon using reasonably reliable third-party records:

- Current or reasonably expected income or assets (excluding the value of the dwelling and real property secured by the loan);
- Current employment status (if the creditor relies on income from employment);
- Monthly payment on the covered transaction, calculated as prescribed in § 1026.43(c)(5);
- Monthly payment on simultaneous loans;
- Payment for mortgage-related obligations;
- Current debt obligations, alimony, and child support;
- Monthly DTI or RI; and
- Credit history.[4]

The ATR rule requires a creditor to verify the amounts of income or assets that the creditor relies upon to determine ability to repay using third-party records that provide reasonably reliable evidence of the consumer's income or assets. Third-party records include "a document or other record prepared or reviewed by an appropriate person other than the consumer, the creditor, or the mortgage broker, as defined in § 1026.36(a)(2), or an agent of the creditor or mortgage broker."[5] The definition of third-party records is understood to include bank statements prepared by a financial institution.[6]

The ATR rule is clear that income cannot be stated only, but must be verified by reasonably reliable third-party records, including bank statements. However, the CFPB provided "significant

[3] 15 U.S.C. § 1639c(a)(1); *see also* 12 C.F.R. § 1026.43(c). The CFPB defines "covered transaction" as "a consumer credit transaction that is secured by a dwelling." *Id.* § 1026.43(b)(1).
[4] 12 C.F.R. §§ 1026.43(c)(2), (c)(3).
[5] *Id.* § 1026.43(b)(13).
[6] *See id.* § 1026.43(c)(4)(iv) (financial institution records); CFPB, Ability-to-Repay and Qualified Mortgage Rule, Small Entity Compliance Guide, 18 (Mar. 2016), *available at* http://files.consumerfinance.gov/f/201603_cfpb_atrqm_small-entity-compliance-guide.pdf ("In addition to a W-2 or payroll statement, you may verify income using tax returns, bank statements, receipts from check-cashing or funds-transfer services, benefits program documentation, or records from an employer. Copies of tax-return transcripts or payroll statements can be obtained directly from the consumer or from a service provider, and need not be obtained directly from a government agency or employer, as long as the records are reasonably reliable and specific to the individual consumer.").

flexibility" in how lenders verify each of the factors, including income. According to CFPB, "there are a wide variety of documents and sources of information your organization can use as you determine ATR, and you have significant flexibility in how you verify each of the eight factors."[7] Thus, for the Program to work under ATR, Citadel would need to be able to demonstrate that the bank statement provides reasonably reliable evidence of income.

Further, Citadel would need to be able to demonstrate that, in conjunction with the other safeguards in place for the Program—such as verification of self-employment through a CPA letter or business license, further verification that the income stated and verified through the bank statement is reasonable for the job, and verification of credit usage and history—the income verification supports a reasonable and good faith determination of ability to repay the loan. For non-QM loans, the ATR rule requires that the creditor consider these factors, verify them using reasonably reliable third-party records, and make a reasonable and good faith determination of the consumer's ability to repay the loan. However, the rule prescribes no specific means or criteria for underwriting loans. For example, the rule and its commentary do not specify how much income is needed to support a particular level of debt or how credit history should be weighed against other factors. So long as creditors consider the factors set forth in § 1026.43(c)(2) and comply with the other requirements of § 1026.43(c), creditors are permitted to develop their own underwriting standards and make changes to those standards over time in response to empirical information and changing economic and other conditions.[8] Rather than state a specific formula, the rule instructs that whether a particular ATR determination is reasonable and in good faith "will depend not only on the underwriting standards adopted by the creditor, but on the facts and circumstances of an individual extension of credit and how a creditor's underwriting standards were applied to those facts and circumstances."[9]

Thus, the rule does not prescribe specific underwriting standards, ratios of debts to income or assets, or minimum credit scores to obtain a loan. Rather, it imposes a general standard. However, while this standard is flexible from a compliance standpoint, it also creates a risk of liability, as § 1026.43(c) is subject to a private right of action as well as agency enforcement.[10]

To reduce the risk of liability, creditors may and often do avail themselves of a safe harbor or a rebuttable presumption of compliance by following additional "QM" requirements set forth in § 1026.43(e). However, creditors are permitted to make non-QM loans under the general ATR standard if they are willing to take on the accompanying risk of liability. With respect to a non-QM loan not under the safe harbor or rebuttable presumption of compliance, the risk level associated with a particular loan is commensurate with any disparities between income, assets, and

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[7] *Id.*
[8] *See* Comment 43(c)(1)-1.
[9] *Id.* Additional guidance on the types of underwriting standards that may be considered compliant or non-compliant with the ATR requirement are available in Comment 43(c)(1)-1.ii.
[10] U.S.C. § 1640(a). In addition to actual damages and injunctive relief, for violation of the general ATR requirement, private litigants may be awarded an amount equal to the sum of all finance charges and fees paid by the consumer, unless the creditor demonstrates that the failure to comply is not material. *Id.* § 1640(a)(4). Private parties may also seek recoupment or setoff in foreclosure proceeding. *Id.* § 1640(k).

liability, among other factors. In addition, it also is possible that (even in the absence of a clear ATR violation) issues relating to a consumer's ability to repay could extend beyond TILA and implicate the CFPB (and the states') unfair, deceptive, or abusive acts and practices ("UDAAP") prohibitions.[11] While CFPB has not (to our knowledge) pursued ATR-based enforcement actions against mortgage lenders on a UDAAP theory to date, historically the Bureau has used UDAAP as a "gap-filler" to address what it believes to be consumer-harmful conduct that is not squarely addressed in regulation.[12]

With respect to non-QM loans, CFPB's Supervisory Highlights from Fall 2016 and Spring 2017 provide some further insight on expectations for third-party document verification. In the CFPB's Fall 2016 Supervisory highlights, the Bureau explained that using income disclosed on the application but not documented by third-party records specific to the consumer to calculate the consumer's monthly DTI ratio (where verified assets were used in place of income but the program imposed a minimum DTI requirement and did not document income) did not satisfy the ATR test. The CFPB found this to be the case even where undocumented income was tested for reasonableness using an internet-based tool that aggregates employer data and estimates income based upon each consumer's residence zip code address, job title, and years in their current occupation.[13] However, in the CFPB's Spring 2017 Supervisory Highlights, the Bureau stressed that "the ATR rule does not require that creditors adhere to a prescribed method of verifying income or assets" but may rely on the "non-exhaustive list of records set forth in the ATR rule in verifying the consumers income or assets."[14] CFPB explained further that the records need to be specific to the consumer but otherwise creditors have flexibility in creating their underwriting standards "as long as those standards incorporate the minimum requirements set forth in the rule."[15]

III. Analysis

A. Consideration of Third-Party Records

For the Program to satisfy the ATR rule, Citadel must be able to demonstrate that it is able to verify income in a reasonably reliable manner using a single month's bank statement. The ATR rule is clear that income must be verified by reasonably reliable third-party records, but provides "significant flexibility" in how lenders verify each of the factors, including income. According to

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[11] *See* 12 U.S.C. § 1639b (stating the general purpose of the ATR standard and other Title XIV mortgage provisions to include protections against loans that may be "unfair, deceptive or abusive"). In addition to the CFPB, section 1042 of the Dodd-Frank Act permits state attorneys general to enforce the provisions of the Consumer Financial Protection Act, as well as the CFPB's regulations (such as ATR). *Id.* § 5552.
[12] *See, e.g.*, *In the Matter of ACE Cash Express, Inc.*, File No. 2014-CFPB-0008 (Jul. 10, 2014) (pursuing an "abusive" conduct theory where a payday lender encouraged consumers with a demonstrated inability to repay loans to refinance).
[13] *See* Supervisory Highlights, Issue 13, Fall 2016, pp. 13-14, ***available at*** https://www.consumerfinance.gov/data research/research-reports/supervisory-highlights-issue-no-13-fall-2016/.
[14] *See* Supervisory Highlights, Issue 14, Spring 2017, pp. 5-8, ***available at*** https://www.consumerfinance.gov/dataresearch/research-reports/supervisory-highlights-spring-2017/.
[15] *Id.* at 5.

CFPB, "there are a wide variety of documents and sources of information your organization can use as you determine ATR, and you have significant flexibility in how you verify each of the eight factors."[16] As discussed below, the Program's use of a single month's bank statement to verify income, while not without risk, provides a plausible basis for satisfying these standards.

While Citadel and other non-QM lenders have employed programs that utilize bank statements to verify income and assets, the Program's more limited use of a single month's bank statement would be a novel means of verifying income post-ATR. To date, we are not aware of any similar programs that verify income in this manner, or similar programs that have undergone an examination by the CFPB or other regulators or been tested through litigation.[17] Accordingly, given that Program loans would be non-QM and not protected by a safe harbor, there is a level of risk associated with this means of verifying income because there is no clear regulatory or judicial precedent to date in its favor. There is risk that a regulator or court could take the position that, even in light of the ATR rule's permissive standard, a single month's worth of financial information is not a sufficiently reliable method to verify income. For example, a regulator or court could find that one month's worth of financial information is not enough for a lender to reliably verify that inflows of money from a business supporting income are consistent over the course of a full year and not based on a single anomalous month. In the event of challenge, Citadel or an assignee would need to demonstrate that the single month's bank statement is a reliable means of verifying income through a third-party record, particularly when used in conjunction with the other means of further confirming income that the Program will employ.

Based on Citadel's description of the Program and how the bank statement will be used, as well as the flexible and permissive standard employed in the ATR rule for verifying income, there is support that the Program will comply with the ATR rule. If the income verification method described by Citadel is supported by policies, procedures, and practice in originating Program loans, then Citadel will verify income based on a third-party bank statement. Citadel's explanation of how it will use the bank statement appears to be substantive and, if followed, would take several steps to verify a borrower's income through the bank statement. This would include, without limitation, examining the statement for incoming cash-flow with a description that is linked to the borrower's employment and aligns with the borrower's stated income on a periodic basis; examining the statement to rule out in-flows of cash that may arise from non-income sources like loans, gifts, or asset sales; verifying assets, beginning and end balances; eliminating borrowers with insufficient end balanced or non-sufficient fund warnings; and other criteria. Citadel also has explained that it will use information obtained from consumer reports as a secondary means of further verifying income. In addition, Citadel will take steps to ensure that the borrower is self-employed and in good standing and will use other more objective criteria to confirm that income

[16] *See id.* § 1026.43(c)(4)(iv) (financial institution records); CFPB, Ability-to-Repay and Qualified Mortgage Rule, Small Entity Compliance Guide, 18 (Mar. 2016).

[17] We are aware of programs that document income through bank statements, although most available programs currently use 6 to 12 months of bank statement information to document income.

stated and verified through these sources is consistent with the borrower's occupation and geographic area.[18]

If Citadel follows these verification methods and uses them consistently and to scrutinize and verify income, it is likely to pass the ATR rule's permissive income verification standards. Reasonable reliability of the verification method, while not certain, should be reinforced by Citadel's use of other safeguards such as additional verification that income verified through the bank statement is consistent with information obtained and analyzed from consumer reports as well as reasonable for the job and geographic area, and Citadel's further verification of self-employment through a CPA letter or business license. Citadel will want to reinforce its position further by demonstrating that its means of verifying income are reliable in practice and making any adjustments or improvements to its methodology as may be deemed necessary as the Program unfolds and develops, but at the initial stage, there is evidence that the Program meets the ATR rule's verification standards.

B. Reliability of Underwriting

In addition to properly verifying income or assets, the Program's compliance under the ATR rule will depend on whether the ATR determination was reasonable and made in good faith. The ATR rule and its commentary focus on the reliability of the underwriting standards and lending model, with the following two standards called out specifically in the rule's commentary:

- the creditor used underwriting standards that have historically resulted in comparatively low rates of delinquency and default during adverse economic conditions; or

- The creditor used underwriting standards based on empirically derived, demonstrably and statistically sound models.

With respect to historical performance of the model and the underwriting criteria, Citadel can point to the Legacy Program, which employed nearly identical underwriting criteria, as evidence that the model is sound and the underwriting criteria is historically reliable. The Legacy Program employed the Program's underwriting controls around FICO scores, LTV, credit depth, credit events, etc., but was not limited to self-employed borrowers and did not use any third-party records to verify income or assets. The Legacy Program was available during adverse economic conditions and downturns in the housing and real estate finance markets in the early to mid-1990s, but only resulted in a single loan out of $2-3 Billion ($2-3,000,000,000) in originations defaulting. The Program would take the Legacy Program's historically reliable underwriting criteria and layer on additional safeguards by verifying income and assets relied upon for underwriting through the

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[18] Note that CFPB criticized one lender in its Spring 2017 Supervisory Highlights for using this practice as the *sole* means to verify stated income considered to determine DTI because the information analyzed was not specific to the consumer who had applied for a loan. Citadel would employ a similar tool, but only as an *additional* means of confirming income that is verified through the bank statement.

bank statement and further confirmed through the other means discussed above, and also limit the Program's availability to a limited number of self-employed borrowers.

IV. Conclusion

The Program's reliance on a single month's bank statement for verifying income would be subject to a level of legal risk. However, there is support for the Program's compliance with flexible and permissive underwriting and verification standards set forth in the ATR rule if Citadel consistently applies the verification methods and other safeguards included in the Program and described above.

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EXHIBIT 2

CSC's servicing portfolio as of 02/29/2020, segmented by Qualifying Income Type:

30 Day DQ By Qualifying Income Type			60 Day DQ By Qualifying Income Type		90+ Day DQ By Qualifying Income Type		Total DQ By Qualifying Income Type		DQ to Portfolio		Total Portfolio By Qualifying Income Type		% of Portfolio	
Qualifying Income Type	#	$	#	$	#	$	#	$	#%	$%	#	$	#%	$%
12-Mths Bank Statements - Personal Use As Business	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	23	$7,641,500.72	0.2%	0.2%
12-Mths Bank Statements (Business)	19	$9,623,699.24	2	$820,944.94	3	$3,069,318.09	24	$13,513,962.27	2.5%	3.0%	975	$454,680,279.29	10.3%	12.9%
12-Mths Bank Statements (Personal)	4	$1,866,148.49	1	$369,000.00	7	$4,018,905.58	12	$6,254,054.07	2.0%	2.5%	600	$245,482,360.06	6.3%	7.0%
1-Mth Bank Statements (Personal)	7	$2,670,262.27	2	$1,503,226.74	2	$990,290.15	11	$5,163,779.16	1.1%	0.8%	1,020	$620,276,444.78	10.8%	17.6%
24-Mths Bank Statements - Personal Use As Business	1	$101,720.07	0	$0.00	0	$0.00	1	$101,720.07	5.0%	1.6%	20	$6,346,624.10	0.2%	0.2%
24-Mths Bank Statements (Business)	41	$17,134,590.79	12	$6,927,525.58	26	$15,303,999.99	79	$39,366,116.36	7.2%	9.4%	1,091	$420,487,110.83	11.5%	11.9%
24-Mths Bank Statements (Personal)	20	$5,420,570.17	3	$954,417.00	5	$1,413,745.16	28	$7,788,732.33	5.2%	4.4%	543	$177,839,865.26	5.7%	5.0%
Alt Doc	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	4	$2,584,130.54	0.0%	0.1%
Asset Depletion	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	11	$3,243,581.73	0.1%	0.1%
ATR-In-Full	4	$541,819.81	0	$0.00	1	$404,250.00	5	$946,069.81	4.2%	2.4%	118	$39,084,159.39	1.2%	1.1%
Business Purpose	8	$6,122,841.99	1	$410,690.47	3	$1,508,208.77	12	$8,041,741.23	14.0%	25.9%	86	$31,057,199.53	0.9%	0.9%
DSCR+	13	$3,318,751.56	7	$1,695,688.73	7	$1,383,004.30	27	$6,397,444.59	2.5%	2.0%	1,064	$312,222,954.39	11.2%	8.9%
Foreign National	44	$11,331,460.01	11	$3,685,098.82	10	$3,448,957.79	65	$18,465,516.62	4.2%	4.2%	1,544	$437,188,655.73	16.3%	12.4%
Full	38	$10,849,608.92	13	$3,338,930.69	29	$6,826,280.73	80	$21,014,820.34	11.4%	10.7%	699	$196,433,419.53	7.4%	5.6%
Full - ITIN	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	134	$29,994,823.18	1.4%	0.9%
Full-SE	3	$1,223,364.66	2	$627,532.88	3	$1,973,197.99	8	$3,824,095.53	5.5%	5.4%	146	$70,559,946.73	1.5%	2.0%
Full-W2	43	$9,910,999.02	5	$1,355,399.79	11	$2,680,873.63	59	$13,947,272.44	7.6%	6.3%	773	$221,077,399.44	8.2%	6.3%
NOO Business Purpose	2	$855,667.12	3	$1,228,571.59	4	$1,381,370.89	9	$3,465,609.60	2.4%	2.7%	371	$129,567,414.27	3.9%	3.7%
ODF	0	$0.00	3	$945,438.64	1	$1,081,219.06	4	$2,026,657.70	10.3%	15.6%	39	$13,029,930.46	0.4%	0.4%
Standard Business Loan	5	$2,834,449.81	2	$718,204.98	5	$2,785,647.45	12	$6,338,302.24	12.8%	10.8%	94	$58,471,215.57	1.0%	1.7%
VOE	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	93	$44,701,600.24	1.0%	1.3%
Not Specified	1	$58,434.92	0	$0.00	1	$6,079.46	2	$64,514.38	40.0%	40.5%	5	$159,374.95	0.1%	0.0%
Fix-n-Keep	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	5	$2,103,688.89	0.1%	0.1%
Loan Not in BytePro	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	0	$0.00	0.0%	0.0%
Grand Total	**253**	**$83,864,388.85**	**67**	**$24,580,670.85**	**118**	**$48,275,349.04**	**438**	**$156,720,408.74**	**4.6%**	**4.4%**	**9,458**	**$3,524,233,679.61**		

*Highlight added to 1MBS program.

EXHIBIT 3

CSC's One-Month Bank Statement's delinquency in servicing portfolio through 02/29/2020:

ONE MONTH BANK STATEMENT PROGRAM HISTORY

VOLUME

Period End	02/29/2020	01/31/2020	12/31/2019	11/30/2019	10/31/2019	09/30/2019	08/31/2019	07/31/2019	06/30/2019	05/31/2019	04/30/2019	03/31/2019	02/28/2019
Servicing Portfolio	$ 620,276,445	$ 606,872,088	$ 575,679,575	$ 519,736,059	$ 499,465,512	$ 465,560,757	$ 441,163,104	$ 406,880,221	$ 377,265,861	$ 337,507,942	$ 298,006,226	$ 263,033,233	$ 233,894,738
30 DQ	$ 2,670,262	$ 2,495,255	$ 2,607,202	$ 2,891,536	$ 920,434	$ 2,769,735	$ 984,589	$ 2,431,611	$ 1,280,319	$ 1,436,574	$ 815,576	$ 843,409	$ 817,358
60 DQ	$ 1,503,227	$ 360,750	$ 306,370	$ -	$ 2,125,003	$ -	$ -	$ -	$ 621,896	$ -	$ 623,279	$ 817,358	$ -
90+ DQ	$ 990,290	$ 629,540	$ 904,266	$ 904,266	$ -	$ -	$ 621,896	$ 621,896	$ -	$ -	$ -	$ -	$ -
Total DQ	$ 5,163,779	$ 3,485,545	$ 3,817,838	$ 3,795,802	$ 3,045,438	$ 2,769,735	$ 1,606,485	$ 3,053,506	$ 1,902,215	$ 1,436,574	$ 1,438,854	$ 1,660,767	$ 817,358
Servicing Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30 DQ	0.4%	0.4%	0.5%	0.6%	0.2%	0.6%	0.2%	0.6%	0.3%	0.4%	0.3%	0.3%	0.3%
60 DQ	0.2%	0.1%	0.1%	0.0%	0.4%	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%	0.3%	0.0%
90+ DQ	0.2%	0.1%	0.2%	0.2%	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total DQ	0.8%	0.6%	0.7%	0.7%	0.6%	0.6%	0.4%	0.8%	0.5%	0.4%	0.5%	0.6%	0.3%

UNITS

Period End	02/29/2020	01/31/2020	12/31/2019	11/30/2019	10/31/2019	09/30/2019	08/31/2019	07/31/2019	06/30/2019	05/31/2019	04/30/2019	03/31/2019	02/28/2019
Servicing Portfolio	1,020	994	949	863	822	761	720	663	610	539	478	418	371
30 DQ	7	5	5	7	2	5	1	3	2	2	1	2	1
60 DQ	2	1	1	-	3	-	-	-	1	-	1	1	-
90+ DQ	2	1	2	2	-	-	1	1		-	-	-	-
Total DQ	11	7	8	9	5	5	2	4	3	2	2	3	1
Servicing Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30 DQ	0.7%	0.5%	0.5%	0.8%	0.2%	0.7%	0.1%	0.5%	0.3%	0.4%	0.2%	0.5%	0.3%
60 DQ	0.2%	0.1%	0.1%	0.0%	0.4%	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%	0.2%	0.0%
90+ DQ	0.2%	0.1%	0.2%	0.2%	0.0%	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total DQ	1.1%	0.7%	0.8%	1.0%	0.6%	0.7%	0.3%	0.6%	0.5%	0.4%	0.4%	0.7%	0.3%

CITADEL
SERVICING CORPORATION

EXHIBIT 4

CSC's delinquency table in servicing portfolio as of 08/31/2020:

	Aug 2020	Asset Qualification	Bank Statements (1 Month)	Bank Statements, 12-Months Business	Bank Statements, 12-Months Personal	Bank Statements, 24-Months Business	Bank Statements, 24-Months Personal	Full (including ITIN)	Business Purpose (SE)	DCSR+	Foreign National	NOO Business Purpose + Fix-n-Keep & ODF	VOE
Servicing UPB	**$ 3,258,503,561.20**	**$ 2,723,509.87**	**$ 597,060,709.00**	**$ 426,961,560.93**	**$ 241,409,800.01**	**$ 365,224,915.42**	**$ 166,192,637.67**	**$ 478,437,449.71**	**$ 76,751,304.33**	**$ 314,783,757.29**	**$ 424,743,327.51**	**$ 128,354,248.35**	**$ 35,860,341.11**
Total Loans	**8,769**	**9**	**965**	**931**	**598**	**960**	**499**	**1,637**	**158**	**1,058**	**1,504**	**372**	**78**
Total Delinquency (Units)	9.69%	11.11%	7.67%	6.55%	7.53%	10.73%	10.42%	10.08%	24.05%	8.70%	12.37%	8.33%	2.56%
Total Delinquency (UPB)	11.27%	16.38%	9.33%	8.37%	12.45%	12.78%	13.09%	9.71%	29.03%	11.67%	13.27%	11.19%	1.96%
Covid UPB	**$ 1,062,457,879.48**	**$ 680,548.21**	**$ 196,845,257.96**	**$ 139,027,647.37**	**$ 81,589,114.27**	**$ 166,535,699.64**	**$ 73,897,880.17**	**$ 112,751,581.68**	**$ 43,311,645.99**	**$ 96,413,137.03**	**$ 104,306,225.48**	**$ 40,377,721.61**	**$ 6,721,420.07**
Total Covid Loans	**2,541**	**2**	**304**	**277**	**180**	**391**	**191**	**345**	**71**	**286**	**371**	**108**	**15**
Total Delinquency Covid (Units)	24.44%	50.00%	22.04%	18.05%	21.67%	19.44%	21.99%	26.09%	32.39%	24.83%	37.47%	19.44%	13.33%
Total Delinquency Covid (UPB)	27.71%	65.54%	26.41%	20.31%	33.97%	21.79%	25.28%	25.62%	36.32%	34.04%	41.14%	24.62%	10.46%
Deferral UPB	**$ 900,127,181.86**	**$ 680,548.21**	**$ 166,518,240.03**	**$ 117,834,693.59**	**$ 69,464,685.47**	**$ 147,033,954.75**	**$ 63,473,119.44**	**$ 90,268,202.26**	**$ 39,736,589.32**	**$ 82,235,688.59**	**$ 82,598,187.48**	**$ 33,561,852.65**	**$ 6,721,420.07**
Total Deferred Loans	**2,128**	**2**	**256**	**231**	**151**	**353**	**164**	**271**	**63**	**242**	**290**	**90**	**15**
Total Delinquency Deferrals (Units)	24.20%	50.00%	25.39%	19.48%	21.19%	18.98%	21.34%	24.72%	30.16%	23.14%	38.28%	16.67%	13.33%
Total Delinquency Deferrals (UPB)	28.33%	65.54%	30.43%	22.53%	33.85%	19.99%	25.20%	24.88%	33.77%	34.88%	43.60%	21.20%	10.46%
Forbearance UPB	**$ 43,531,485.37**	**$**	**$ 18,570,132.78**	**$ 6,644,742.69**	**$ 4,249,806.26**	**$ 3,437,802.10**	**$ 2,576,411.96**	**$ 2,223,389.17**	**$ 3,679,962.02**	**$ 762,015.72**	**$ 1,387,222.67**	**$0**	**$0**
Total Forbearance	**70**	**0**	**24**	**9**	**7**	**7**	**6**	**7**	**4**	**2**	**4**	**0**	**0**
Total Delinquency Forbearance (Units)	85.71%	0.00%	87.50%	77.78%	71.43%	100.00%	100.00%	71.43%	75.00%	100.00%	100.00%	0.00%	0.00%
Total Delinquency Forbearance (UPB)	82.77%	0.00%	86.54%	78.89%	89.00%	100.00%	100.00%	65.14%	35.96%	100.00%	100.00%	0.00%	0.00%
Delinquency Net Covid													
Total Delinquency Net Covid (Units)	229	0	7	11	6	27	10	75	15	21	47	10	0
Total Delinquency Net Covid (UPB)	$72,918,748.21	$0.00	$3,703,262.23	$7,515,384.81	$2,336,755.57	$10,395,200.17	$3,068,642.55	$17,577,698.96	$6,553,465.31	$3,906,038.57	$13,444,074.29	$4,418,225.75	$0.00
Total Delinquency Net Covid (Units)	2.61%	0.00%	0.73%	1.18%	1.00%	2.81%	2.00%	4.58%	9.49%	1.98%	3.13%	2.69%	0.00%
Total Delinquency Net Covid (UPB)	2.24%	0.00%	0.62%	1.76%	0.97%	2.85%	1.85%	3.67%	8.54%	1.24%	3.17%	3.44%	0.00%

*Highlight added to 1MBS program.

EXHIBIT 5

CTDL 2020-1’s delinquency table in servicing portfolio as of 08/31/2020:

	Aug 2020	Asset Qualification	Bank Statements (1 Month)	Bank Statements, 12-Months Business	Bank Statements, 12-Months Personal	Bank Statements, 24-Months Business	Bank Statements, 24-Months Personal	Full (including ITIN)	Business Purpose (SE)	DCSR+	Foreign National	NOO Business Purpose + Fix-n-Keep & ODF	VOE
Servicing UPB	$50,241,111.83	$0.00	$25,679,510.36	$6,231,225.03	$1,357,794.87	$0.00	$0.00	$7,706,515.48	$0.00	$3,188,405.07	$5,413,403.26	$664,257.76	$0.00
Total Loans	103	0	28	19	5			23		13	12	3	0
Total Delinquency (Units)	5.83%	0.00%	0.00%	5.26%	0.00%	0.00%	0.00%	4.35%	0.00%	7.69%	25.00%	0.00%	0.00%
Total Delinquency (UPB)	4.90%	0.00%	0.00%	5.51%	0.00%	0.00%	0.00%	2.93%	0.00%	9.99%	29.06%	0.00%	0.00%
COVID UPB	$3,681,775.54	$0.00	$1,025,414.16	$343,649.28	$0.00	$0.00	$0.00	$0.00	$0.00	$318,367.01	$1,894,616.15	$99,728.94	$0.00
Total Covid Loans	8	0	2	1	0	0	0	0	0	1	3	1	0
Total Delinquency Covid (Units)	50.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	66.67%	0.00%	0.00%
Total Delinquency Covid (UPB)	56.26%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	74.39%	0.00%	0.00%
Deferral UPB	$1,180,339.45	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,180,339.45	$0.00	$0.00
Total Deferred Loans	1	0	0	0	0	0	0	0	0	0	1	0	0
Total Delinquency Deferrals (Units)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Total Delinquency Deferrals (UPB)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Forbearance UPB	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Forbearance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Delinquency Forbearance (Units)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Delinquency Forbearance (UPB)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Delinquency Net Covid													
Total Delinquency Net Covid (Units)	2	0	0	0	0	0	0	1	0	0	1	0	0
Total Delinquency Net Covid (UPB)	$389,401.33	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$225,481.35	$0.00	$0.00	$163,919.98	$0.00	$0.00
Total Delinquency Net Covid (Units)	1.94%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.35%	0.00%	0.00%	8.33%	0.00%	0.00%
Total Delinquency Net Covid (UPB)	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.93%	0.00%	0.00%	3.03%	0.00%	0.00%

*Highlight added to 1MBS program.

EXHIBIT 6

THREE-MONTH WHOLESALE RESIDENTIAL RATE SHEET & MATRIX

Dated: 11/09/2020

GENERAL INFORMATION

Credit Tier	"AAA"	"AA"	"A"	"BBB"
Min FICO	≥ 750	≥ 725	≥ 700	≥ 675
≤ 50% LTV	4.500%	4.625%	4.875%	4.999%
≤ 60% LTV	4.625%	4.750%	5.125%	5.250%
≤ 65% LTV	4.750%	4.999%	5.250%	5.375%
≤ 70% LTV	4.999%	5.250%	5.375%	5.625%
≤ 75% LTV	5.250%	5.375%	5.625%	
Margin	3.000%	3.250%	3.500%	3.750%
Max Mtg Late (24-mth)	0 x 30	0 x 30	0 x 30	0 x 30
Max LTVs	"AAA"	"AA"	"A"	"BBB"
Purchase	75%	75%	75%	70%
Rate/Term Refi	70%	70%	70%	70%
Cash Out Refi	70%	70%	70%	65%
CLTV	75%	75%	75%	70%
Seasoning	"AAA"	"AA"	"A"	"BBB"
Mortgage Late(s)	≥ 2 Years	≥ 2 Years	≥ 2 Years	≥ 2 Years
Mortgage FB or Defer	≥ 18 Mths	≥ 18 Mths	≥ 18 Mths	≥ 18 Mths
Bankruptcy	≥ 5 Years	≥ 5 Years	≥ 5 Years	≥ 5 Years
Foreclosure	≥ 5 Years	≥ 5 Years	≥ 5 Years	≥ 5 Years
Short Sale/Deed-in Lieu	≥ 5 Years	≥ 5 Years	≥ 5 Years	≥ 5 Years
Adverse Accounts	≥ 2 Years	≥ 2 Years	≥ 2 Years	≥ 2 Years

Buy-Down available at a 3:1 Ratio with Program Floor of 4.500%.

ADJUSTMENTS

Description	Rate	Note
Cash-Out Refinance	0.250%	LTV ≤ 65%
	0.375%	LTV > 65%
Personal Bank Stmts	--	
Business Bank Stmts	0.250%	50% Business Haircut to Deposits
Business Bank Stmts	0.375%	30% Business Haircut to Deposits, Max 65% LTV/CLTV
7/1 Hybrid ARM	--	Pricing in Grid is for a 5/1 Hybrid ARM
30-Year Fixed	--	Pricing in Grid is for a 5/1 Hybrid ARM
Interest Only (5-yr)	0.250%	30-Term, Min Loan ≥$250K, All Grades , Avail on 5/1, 7/1, or 30-fix
No Mortgage History	0.250%	Maximum 60% LTV/CLTV, No Recent Mortgage Rating
First Time Home Buyer	0.500%	-5% LTV/CLTV, Minimum 24-Month Rental History
< $ 250,000	0.500%	
> $ 1,000,000	0.250%	
> $ 1,500,000	0.375%	Max Cash-in-Hand >65% LTV is $300,000 for Loan Amounts >$1M
> $ 2,000,000	0.500%	OO Only, LTV/CLTV @ -5% Purch & R/T, -10% C/O, All Grades
		Max Cash-in-Hand >60% LTV is $500,000 for Loan Amounts >$2M
Non Warr Condo	0.375%	-5% LTV/CLTV

Administration / Underwriting / Commitment Fee - $1,295

*Broker Origination Points and Fees are limited to the lesser of (a) 3.0% of the loan amount and (b) the maximum allowable by Federal & State High Cost thresholds.

AE CONTACT INFORMATION

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GENERAL INFORMATION

NO FEDERAL OR STATE HIGH COST LOANS

THREE-MONTH BANK STATEMENT PROGRAM
- Maximum Qualifying Income based on Average Deposits
- Self Employed Borrowers Only / No NSF's / Positive Balances
- U.S. Residents Only

Credit Depth:
- Min three accounts ≥3 years & Mortgage ≥2 years
- "Recent" Mortgage is within 120 days of Application
- "Adverse Accounts" include charge offs, collections, tax liens, or judgments

Maximum Debt-to-Income Ratio
- 50% DTI for ≤65% LTV or 43% DTI for >65% LTV

Reserves
- Purch/R&T: 12 Months or CO Refi: 24 Months
- Cash-in-Hand can contribute to Reserves

Loan Terms
- 30-Year Amortized & Term - 5/1 or 7/1 Hybrid ARM or 30-Yr Fixed
- All Loans require impounding for Taxes & Insurance

Interest Only (IO)
- IO Loans must qualify at max rate at first fully Amortized pymt
- IO Loan is 5-Yr IO Pymt & 25-Yrs Fully Amortized (30-year term)

Index & Adjustment Caps
- Floored at Start Rate / 1-Year CMT
- 2.0% Initial Change Cap / 2.0% Annual Cap / 6.0% Life Cap

Occupancy
- Primary Residence Only

Loan Amounts
- $150,000 Minimum to $3,000,000 Maximum (Round-down to $50)
- Loan Amounts >$1.0M Require Senior Management Approval
- Loan Amounts Greater than $1.5M require Two (2) Appraisals

Property Types
- SFR / Condos / Townhouse - Property Condition Good

States
- AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, ID, IL, IN, KS, KY, LA, MD, ME, MI, MN, MT, NC, NE, NH, NJ, NV, OK, OR, PA, SC, TN, TX, UT, VA, VT, WA, WI, & WY
- Texas: Purchase or Rate & Term, No Cash Out Refinances