



INTERNAL MEMORANDUM

DATE: March 1, 2022
TO: All Origination Staff
FROM: Craig Timmins, Managing Director
RE: Guideline Change on DSCR Loans

Effective immediately, the following guideline changes will be put in place on business purpose/DSCR loans:

1. Verification of the seasoning of funds to close is not required on loans of 70% LTV and below or if the amount to close does not exceed \$100,000 at any LTV.
2. Verification of the seasoned funds includes the borrower's bank statement for the most recent full month
3. When the loan has a DSCR < 1.00, reserves will not be required to make up the difference between the rental amount and the PITIA payment.
4. Reserves will not be required on loans over 75% LTV. (Note: This will be updated on the next rate sheet.)

Below is a red-line version of the guidelines:

Page 89 of the guidelines:

Funds to close are to be properly verified on purchase-money transactions and where applicable on rate / term refinances. Verification of funds is not required for cash-out refinances.

- The source of funds for closing should be reflected on the loan application.
- Verification of acceptable source of funds is required for all funds paid OUTSIDE of escrow / closing, which may be reflected as a credit on the purchase contract, escrow instructions or closing statement.
- Verification of the seasoning of funds to close is not required on loans of 65% or less for Non-Prime and 3-Month Bank Statement programs. Verification of the seasoning is not required on loans of 70% or less for Business Purpose/DSCR loans.

The account(s) serving as the source of funds must be verified for loans-to-value greater than 65%. Verification of the seasoned funds for Non-Prime and 3-Month Bank Statement programs may include the following:

- Copy of the borrower's bank statements for the most recent two (2) months OR
- A VOD reflecting a current and average balance for the most recent two (2) months.

The account(s) serving as the source of funds must be verified for loans-to-value greater than 70%. Verification of the seasoned funds for Business Purpose/DSCR loans may include the following:

- Copy of the borrower's bank statements for the most recent month OR
- A VOD reflecting a current and average balance for the most recent month.

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* A maximum variance of 1% of the subject loan amount is allowable for the necessary funds-to-close versus the final asset statements.

Page 74 of the guidelines:

Acra calculates the DSCR by dividing (a) the sum of annual principal, interest, real estate taxes, property insurance, and homeowner's / condominium association fees (collectively, "PITIA") by (b) the lesser of (i) annual in-place rent or (ii) market rent.

Acra can accept short term rentals with 12-month ledgers from condotel management companies, property managers, AirBnB, VRBO, etcetera as documentation for actual rents. Properties qualifying with short term rentals are limited to 75% & 70% LTV / CLTV for Purchase or Refinance transactions respectively.

If the Applicant has had forbearance or mortgage lates within the last 12-months, Tenant occupied properties will require documentation of (i) timely receipt for the prior two (2) months rental payments or (ii) 12-months of subject's payment in reserve, which may be from transaction's cash-in-hand.

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The minimum rental income required is outlined in the Program Matrix. ~~However, in the instance that the gross rental income is less than the calculated PITIA (i.e. DSCR is less than 1.0 : 1.0), the amount of reserves would be equal to the difference required to achieve the 1.0 ; 1.0 ratio times 12 (calculating to a full year's worth of the difference).~~

NOTE: Where the borrower is qualifying utilizing the subject property's actual or market cashflow under a business purpose transaction, borrower must execute with loan docs a Business Purpose Attestation (Exhibit 8).