

## Making the Loan Decision – Underwriting Criteria

<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>General Requirements</b>	
<b>Ownership Interest</b>	Borrowers must establish ownership interest in the subject property and become liable for the proposed debt by signing the Promissory Note (security instrument), the Mortgage or Deed of Trust. Generally, borrowers must take ownership of the property in their individual names (not a real estate trust or other entity). Aura will occasionally allow a borrower to close a loan in the name of a trust when this step will perfect Aura's first lien position in the property.
<b>Cash Provided by Borrower Toward the Transaction</b>	Due to the nature of the majority of transactions that Aura originates, it is likely that the borrowers will have limited capacity to provide significant funds toward transaction. However, because down payment and/or equity investment are factors in overall credit quality, Aura's standard requirement for equity investment by the borrower is 3.5% of the purchase price or \$5,000.00, whichever is lower. These funds will go toward the borrower's closing costs.
<b>Purchase Contract between NSP and Borrower</b>	The purchase and sales contract between NSP Residential, LLC (NSP) and the Borrower must be signed and the down payment requirement must be made before NSP makes a formal offer to the current lender. The contract will state the requirement for a deposit to be held in escrow. The terms of this provision may allow for deposits to be made to the escrow account in order to build the deposit to the required amount in cases where the borrowers do not have the required deposit amount. Exceptions to this policy will be evaluated on a case-by-case basis and approved by the Underwriter or designated approving authority.
<b>Standard LTV</b>	Aura's standard maximum LTV is 100% of the appraised market value. Exceptions to this standard will be made with the consent of management.
<b>Citizenship</b>	<p>Aura will grant mortgage loans to the following:</p> <ul style="list-style-type: none"> <li>• Citizens</li> <li>• Lawful permanent residents of the United States</li> <li>• Non-permanent residents of the United States who hold a valid work permit</li> </ul> <p>Exceptions to this standard will be made with the consent of Management.</p>

<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Qualifying Requirements</b>	
<b>Introduction</b>	The standards that follow are guidelines. Exceptions may be made on a case-by-case basis and must be documented on the Underwriting Exception Form, approved by the Underwriter and signed off on by the General Manager.
<b>General</b>	Every mortgage loan originated by Aura will be underwritten in order to establish that the borrower has the willingness and ability to repay the debt.
<b>Housing-to-Income Ratio</b>	Aura evaluates the borrower's capacity to repay the proposed debt based on a comparison of the borrower's anticipated monthly housing expense (principal, interest, taxes, and insurance) in relation to his or her monthly income. Aura's standard maximum housing to income ratio is 38% of the borrower's stable monthly income.
<b>Debt-to-Income Ratios</b>	<p>Debt-to-income ratio (DTI) is also calculated to assess a borrower's repayment ability. Aura's analysis of a borrower's DTI will include the total monthly housing-related payments and total monthly debt obligations (including all installment and revolving payments). Aura's standard maximum DTI ratio is 48% of the borrower's stable monthly income.</p> <p>Monthly debt obligations that must be included in the DTI calculation include monthly housing expense (PITI), monthly payments on installment debts that extend beyond ten months, other mortgage debts, monthly revolving debts, alimony/child support/separate maintenance payments, and any other debt in the borrower's name.</p> <p>Student loans: If there are no scheduled payments, then 2% of the outstanding balance will be used to calculate the loan payment except when the deferment will continue for at least one year after closing. A satisfactory deferment letter from the lender will be required to verify time of deferment.</p>

<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Income Stability, Continuity and Documentation</b>	
<b>General</b>	AURA will follow Fannie Mae guidelines with respect to documenting income and employment history. AURA generally requires that two consecutive years of stable income and employment history be verified for each borrower.
<b>Salaried/Hourly Income</b>	<p>Aura will obtain two consecutive years of W-2s for the most recent two years of employment. The borrower may use education as part of the two year requirement and must document this with a copy of a diploma and/or transcripts. In addition, Aura requires paystubs covering the most recent 30 days of income at the time of application.</p> <p>The new salary or hourly rate may be used if it is verified by the employer in writing and via an updated paystub.</p> <p><b>Verbal Verification of Employment requirements for hourly, salary, and overtime/bonus commission income:</b>            Aura will independently obtain a phone number and, if possible, an address for the borrower's employer. This will be accomplished by using the internet or directory assistance or by contacting the applicable licensing bureau.            Aura will contact the employer verbally or in writing and confirm the borrower's current employment status within 3 business days prior to the closing date and anytime during the underwriting process.            If the contact is made verbally, the conversation must be documented. It must include the name and title of the person who confirmed the employment, the date of the call, and the source of the phone number. The written documentation must also include the name and title of the person who performed the verification for the lender.</p> <p><b>Note:</b> If a borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a verbal or written VOE.</p> <p><b>Verbal Verification of Employment requirements for self-employed income:</b>            Aura will verify the existence of the borrower's business within 10 days prior to closing.            Verification must come from a third party such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and by verifying a phone listing and address for the borrower's business using the internet or directory assistance.            If the contact is made verbally, Aura will document the source of the information obtained and the name and title of the Aura's employee who obtained the information.</p>
<b>Recent or Pending Raises</b>	

<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Income Stability, Continuity and Documentation</b>	
<b>Overtime Income</b>	Overtime income may be used when there is a two year history of earning this type of income. The calculated amount used should be based on at least an average of past year plus year-to-date.
<b>Second Job Income</b>	Income from a second or third job (full time, part time, seasonal) may be used when there is a two year history. The amount used must be based on a two year average. Consider the industry and how typical the income source is such as medical, trades, military day care, transportation, janitorial, etc.
<b>Bonus Income</b>	Bonus income may be used when there is a two year history of earning this type of income. The amount used must be based on a two year average. The likelihood of continuance this income must be verified.
<b>Commission Income</b>	Commission income may be used when there is a two year history of earning this type of income. The amount used must be based on a two year average. If commissions have been variable, a three year history and average must be used. Federal Tax Returns (1040s) must be used to verify and business tax returns including K-1(s) may be required.
<b>Non-Owner Occupant Income</b>	There must be at least one owner-occupant borrower. Any housing payments including rent must be considered in the qualifying ratios for non-occupant co-mortgagors. A maximum of 25% (percent) of the non-occupant co-mortgagor's income may be utilized for qualifying purposes.
<b>Boarder Income</b>	Boarder income may be used when there is a two year history and the amount is reasonable and can be verified. Document 12 months receipt of boarder income through tax returns or canceled checks and a current fully executed 12 month lease.
<b>Alimony/Child Support/Separate Maintenance</b>	Alimony, child support or separate maintenance income must be verified with the following: <ul style="list-style-type: none"> <li>• A court order and/or divorce decree/separation agreement</li> <li>• Most recent six months of bank statements or cancelled checks</li> <li>• Proof that the income will continue for at least three years</li> </ul>
<b>Social Security Income</b>	Social Security Income may be grossed up by 125% (percent) of the non-taxable income. Income must be verified with the following: <ul style="list-style-type: none"> <li>• A copy of the most recent Social Security Administration's award letter</li> <li>• Copies of most recent 2 years' filed federal income tax returns</li> <li>• Copies of most recent 2 years' IRS 1099s</li> <li>• Copies of the borrower's bank statements covering most recent 3 months documenting payment(s) received each month.</li> </ul>

	<p>If the borrower is not of retirement age or the Social Security benefits have a defined expiration date document income with the following:</p> <ul style="list-style-type: none"> <li>• Social Security Administration must confirm that the remaining term is at least three years <b>or</b></li> <li>• A physician's verification of permanent disability</li> </ul>
<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Income Stability, Continuity and Documentation</b>	
<b>Retirement Income</b>	<p>Document regular and continued receipt of the income with the following:</p> <ul style="list-style-type: none"> <li>• Letters from the organizations providing the income or copies of retirement award letters</li> <li>• Copies of most recent 2 years' filed federal income tax returns</li> <li>• Copies of most recent two years' IRS W-2 and/or 1099 forms</li> <li>• Copies of the borrower's bank statements covering most recent 3 months documenting payments received each month</li> </ul> <p>If retirement income is paid in the form of a monthly distribution from a 401(k), IRA, or Keogh retirement account, documentation verifying that the income is expected to continue for at least three years is required.</p>
<b>Short Term Leave</b>	<p>Income for a borrower who is on short term leave (maternity, worker's compensation, etc.) may be calculated based on post-leave salary/hourly rate provided by the employer. The verification from the employer must include the intended date of return, as well as, the salary/hourly rate upon return and number of hours per week. In addition, the borrower must return to work and provide a post-leave paystub prior to the NSP closing.</p>
<b>Military/Combat Pay</b>	<p>Military personnel may be entitled to different types of pay in addition to base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay will be considered acceptable sources of stable income as long as it can be established that the particular source of income will continue to be received for at least 3 years.</p> <p>Income paid to military reservists while satisfying reserve obligations is also acceptable if it satisfies the same stability and continuity tests applied to other types of second job income.</p> <p>A military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a verbal or written VOE.</p>
<b>Self-Employed Borrowers</b>	<p>Applicants who file a Schedule C, own a 25% (percent) or greater share of a business or receive an IRS 1099 are considered self-employed. In general, a two year plus year-to-date average of business income will be used for qualification purposes. A three year average must be used for businesses that are seasonal in nature or for businesses that have experienced significant volatility in gross receipts and/or net income.</p>

	<p><u>Cash Receipts:</u> Business income received by cash receipts must be documented through filed tax returns and claimed as income on the return.</p> <p><u>Income Documentation:</u> A copy of the most recent two years’ personal tax returns, including all schedules evidencing income and expenses related to a borrower-owned business will be required. A Year-to-Date Profit and Loss Statement signed and dated by the borrower and preparer must also be provided for loans taken after the first quarter of a new tax year. The grid below highlights the basic documentation required for each type of business structure a borrower might own.</p>		
<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>			
<b>Income Stability, Continuity and Documentation</b>			
<b>Self Employed Borrowers (Continued)</b>	<u>Specific Tax Returns and Related Schedules Required for Documentation:</u>		
	Type of Business	Required Schedules	Line # (Individual Tax Return)
	Interest or Dividend Income	Schedule B	8a, 8b, 9a, 9b
	Sole Proprietorship	Schedule C	12
	Capital Gains	Schedule D	13
	Corporations	W-2s Tax Returns	7
	Partnership	Schedule E, K-1, and Partnership Returns	17
	LLC	Schedule E, S-Corporate Returns, K-1	17
	Sub-S Corporation	Schedule E, S-Corporate Returns, K-1	17
	Income from Real Estate	Schedule E (when available for validation purposes), Leases or Tenant-at-Will Letters	17
	The income must be properly documented with the appropriate schedules above in order for income to be utilized in the qualification process.		
<b>Rental Income</b>	The guidelines for calculating income from rental units are outlined below and on the following page.		
	<p><b>Rental Income Calculation:</b> 75% (percent) of the gross monthly rental income will be used for qualification as long as there is a minimum 12 month history and a loss of rental income did not contribute to the borrower’s hardship. The market rents stated in the appraisal report must support the approximate level of gross rental income used in the qualification calculation.</p> <p>Document rental income with the following:</p> <ul style="list-style-type: none"><li>• Most recent two years’ IRS 1040s including schedule E</li><li>• Copy of most recent fully executed 12 month lease(s)</li></ul>		

<b>Non-Taxable Income</b>	<p>Special consideration must be given to non-taxable income, such as social security benefits, disability retirement, worker's compensation, child support, etc. The income must be verified as being non-taxable and the continuance of its non-taxable status confirmed. An adjusted gross income figure based on 125% (percent) of the non-taxable income amount may be used for qualification purposes.</p>
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<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Income Stability, Continuity and Documentation</b>	
<b>IRS 4506-T Validation</b>	Aura requires that the filed tax return transcripts be obtained from the Internal Revenue Service (IRS) or designee for all transactions prior to closing and used to validate the income documentation provided by the borrower and used during the underwriting process. Whenever the 4506-T is validated by the IRS (i.e., the transcript is received back from the IRS), the transcript information and any subsequent explanation or documentation of discrepancies must be retained in the loan file. If the borrower refuses to sign the IRS 4506-T or is not required to file tax returns, Aura requires a written, signed and dated letter from the borrowers clearly explaining the circumstances. Aura at its discretion may refuse the explanation and request additional satisfactory documentation.
<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Collateral Documentation Requirements</b>	
<b>General</b>	The loan-to-value ratio of the property is calculated using the appraised market value. A current Homeowner's Insurance Policy is required for all single, two family, three family or four family properties. A Condominium Unit Policy and HO-6 (Walls-In) Insurance policy are required for condominiums prior to closing.
<b>Purchase Transactions</b>	<p>Aura requires that a copy of the Fully Executed Purchase and Sales Agreement be included in the loan file. In addition, AURA requires that a Residential Real Estate Appraisal be conducted by a licensed appraiser. The report provided by the appraiser must meet Fannie Mae appraisal standards and must be signed by the licensed appraiser. An original copy of the report must be retained in the loan file.</p> <p>A current Smoke Detector/Carbon Monoxide Certificate must be obtained prior to closing by the client.</p>
<b>File Documentation Refinance Transactions</b>	The property value for refinance transactions will be calculated based upon the property's appraised value. The report provided by the appraiser must meet Fannie Mae appraisal standards and be signed by the licensed appraiser. An original copy of the report should be retained in the loan file. A Rescission Period and Rescission Notice is required to be provided for all Owner-Occupied Refinance Transactions.

<b>AURA Mortgage Advisors, LLC. Underwriting Guidelines</b>
<b>Collateral Documentation Requirements</b>



<b>File Documentation for Construction-Rehabilitation Transactions.</b>	<p>Occasionally, Aura will originate a loan that includes construction-rehabilitation financing. In these cases, the borrower will provide detailed plans and associated builder/contractor costs for the work to be done to bring the building into compliance with state and local codes.</p> <p>Aura will approve the construction /rehabilitation advance schedule for the transaction prior to closing. The Advance Schedule will provide a schedule of work to be completed, costs, and target date. The Aura Mortgage Closing/Quality Control Specialist will maintain the Advance Schedule and notify the NSP Property Specialist when work has been completed. The Property Specialist will inspect the work, take photos of work completion and approve advances based on the items complete and the quality of the work.</p> <p>An escrow holdback agreement is required for all loans which include funds for construction/rehabilitation.</p>
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<b>Aura Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Credit History and Documentation Requirements</b>	
<b>General</b>	<p>Aura requires that a credit report be obtained for each mortgage loan applicant. The credit information must be a tri-merge credit report based on information obtained from the national credit repositories. Non-traditional credit history documentation will be allowed on a case-by-case basis. Such documentation (such as copies of utility bills and/or canceled checks for utility payments) may be necessary when an applicant does not use the type of credit that is reported to credit repositories. Each credit report must include both credit and public record information for each applicant.</p>
<b>Rent-to-Buy Transactions</b>	<p>Rental payments are a good indicator of a borrower's willingness and ability to repay the mortgage loan. Aura will evaluate the payment history with a Verification of Rent from a Management company or canceled checks during the rental period as part of the credit analysis.</p>
<b>Credit Score</b>	<p>Most of Aura's loan customers have experienced financial difficulty and in many cases foreclosure. Aura has not established a minimum required credit score. However, a detailed analysis of each applicant's credit history in conjunction with the borrower's circumstances is completed.</p>
<b>New Inquiries</b>	<p>The Inquiry Section of the Credit Report must be reviewed. All inquiries dated within 120 days of the application must be explained in writing by the borrower and the borrower must confirm that no new trade lines were opened as a result of the inquiries. If new trade lines resulted from the inquiries, then the payments will be carried in the debt-to-income ratio.</p>
<b>Hardship Letter/Explanation for Adverse Credit</b>	<p>A hardship letter is required and must explain in detail what caused the borrower's hardship. Additionally, the borrower must state changes in circumstances that will make home ownership affordable.</p>

<b>Aura Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Credit History and Documentation Requirements</b>	
<b>Adverse Credit</b>	<p>Applicants who have significant outstanding obligations may be required to establish a plan for the resolution of these accounts. Adverse credit will be considered in the following manner:</p> <ul style="list-style-type: none"> <li>• Accounts reported as Charged Off with a zero balance on the credit report should not be carried in the debt ratios.</li> <li>• Utility accounts reported as charged off, closed or in collection should not be included in the debt ratio. Other credit balances in excess of \$3,000.00 (such as credit card or installment debts, etc.) that are reported as charged off, closed or in-collection might be included in the debt ratio using 2% of the balance as a payment amount at the Underwriter's discretion. In addition, the Underwriter may require that the balance be paid off at closing.</li> </ul> <p>When appropriate, a client may be referred to Consumer Credit Counseling Services or credit coaching services for debt management purpose.</p>

<b>Aura Mortgage Advisors, LLC. Underwriting Guidelines</b>	
<b>Credit History and Documentation Requirements</b>	
<b>Tax Liens and Judgments</b>	Generally, Aura requires that all tax liens, mechanics liens, judgments and executions be paid prior to or at closing on the mortgage transaction. This is particularly important in cases where the lien could disrupt Aura's lien position on the subject property. If a payment plan has been negotiated with a lien holder, this may be acceptable as long as the payment is carried in the total expense ratio with the exception of Federal and State tax liens.
<b>Foreclosure</b>	Aura will work with the borrower to document the hardship circumstances that lead to the foreclosure.
<b>Chapter 7 Bankruptcy</b>	<p>Debts formally discharged through a finalized bankruptcy proceeding will not be carried in the total expense ratio. The credit report will typically disclose which debts have been discharged and therefore may be used as evidence of the discharges. A copy of all bankruptcy schedules and discharge will be required to document which debts have been formally discharged in the event the credit report does not reflect all discharged debts.</p> <p>There is no waiting period after the bankruptcy is dismissed or discharged.</p>

<p><b>Chapter 11 and 13 Bankruptcy</b></p> <p><b>Strategic Bankruptcy</b></p>	<p>Chapter 11 and Chapter 13 Bankruptcies result in formalized payment schedules for debt. Therefore, a copy of the payment history, all bankruptcy schedules and discharge will be required to document the payment requirements.</p> <p>Strategic bankruptcies must be documented with a letter from the borrower's attorney stating reason for bankruptcy filing.</p>
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