



Churchill Residential
Investor Loan Guidelines

As of
August 8th, 2023

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REGULATORY COMPLIANCE

1.A. Loan Purpose

Loans are not made for personal, family, or household purposes. Borrowers are required to sign a business purposes affidavit or similar document which confirms that the loan purpose complies with this paragraph. The sole purpose of the property being financed is to be leased as income producing property to non-borrower tenants (as outlined below).

1.B. Bank Secrecy and USA Patriot Acts

The Bank Secrecy Act ("BSA") requires financial institutions to assist US government agencies to detect and prevent money laundering. Churchill Residential has and will continue to use implemented anti-money laundering policies and procedures to comply with applicable federal law. As a part of this policy, Churchill Residential must screen all borrowers and guarantors against the list of specially designated nationals maintained by the US Department of the Treasury and OFAC pursuant to the USA PATRIOT Act, amendments to the Bank Secrecy Act and its implementing regulation and investigate name matches as required by law.

1.C. State Law

Churchill Real Estate has and will continue to comply with applicable state law governing lending practices and will continue to maintain the applicable state lending licenses to the extent required.

DEFINED TERMS

PURCHASE	A purchase transaction is one in which the proceeds are used to finance the acquisition of a property. If the property was purchased with debt by the borrower within 30 days prior to loan origination date as reflected on the executed note, it may be permitted as a purchase. If property was purchased without debt, see delayed purchase.
DELAYED PURCHASE	Financing of properties owned free & clear (without existing debt) and acquired within six (6) months prior to the loan origination date. Settlement statement to confirm no mortgage was used. New loan amount cannot exceed 120% of documented cost basis.
CASH OUT REFINANCE	In the event the borrower is refinancing existing debt on the property, the borrower receives net proceeds (excluding third party expenses reflected on the HUD) from the refinancing that exceed 2% of the original loan amount. A refinance that occurs within 180 days of acquisition without existing debt is to be considered a Delayed Purchase.
RATE/TERM REFINANCE	In the event the borrower is refinancing existing debt of the property which was purchased more than 30 days prior to origination and in order to change the rate and/or term of previous loan and receives net proceeds (excluding third party expenses reflected on the HUD) from the refinancing that are less than 2% of the original loan amount. If original purchase date is less than 180 days from origination date, the new loan amount cannot exceed 120% of cost basis.
DEBT SERVICE COVERAGE RATIO "DSCR"	The DSCR is calculated as the property rent divided by the qualifying payment. See section 3.3 for calculations.
LONG TERM RENTAL	A rental subject with a leased term of twelve (12) months or greater, not to exceed thirty-six (36) months. Can be subject to a shorter term, to include month-to-month on an exception basis.
SHORT TERM RENTAL	A rental subject with a leased term of less than six (6) months, such as a daily, weekly, monthly, or vacation rental.

LOAN TO COST	Loan amount at origination date divided by the borrower's cost basis at the origination date.
LENDABLE VALUE	<p>The lower of the most recent appraisal value of the property or, if the property has been purchased in the last six months, the purchase price of the property. If the transaction is a refinance, the purchase price may not be used (see definition above for Delayed Purchase).</p> <p>NOTE: properties purchased in the last 24 months that have experienced significant value improvement will be carefully reviewed.</p>
COST BASIS	<p>Cost basis is inclusive of purchase price, verified borrower paid rehab amounts expended to date, and customary borrower paid arms-length closing costs/ fees, including broker commissions, title, escrow, other closing costs and the amount of taxes, HOA dues, fees, assessments, and liens paid by the borrower or its affiliates in connection with the acquisition to date.</p> <p>Cost basis is the acquisition cost of the subject property by the applicant plus verifiable "hard" and "soft" rehabilitation costs incurred by the applicant. Hard costs include direct construction costs (e.g., lumber, paint, nails, and concrete). Soft costs are indirect construction costs, such as architectural plans, engineering, and legal outlays, and permits. Closing costs, contingency reserves, builder overhead and like costs are not included in the cost basis.</p> <p>If Cost Basis is required for the calculation of Loan Amount, then the borrower must provide evidence of their costs. Acceptable documentation includes but is not limited to: (a) HUD-1 or other settlement statement, (b) Purchase contract, (c) Recorded deed, or (e) Documentation deemed acceptable by the underwriter, such as renovation or rehabilitation documentation (e.g., contracts, invoices, cancelled checks, bank statements, and mechanic's lien waiver)</p>
LOAN TO AS-IS VALUE	Loan amount at the origination date divided by the lower of the as-is appraised value or the purchase price.
PRINCIPAL	Any U.S citizen with 20% or more ownership interest in an entity or a foreign national with 10% or more ownership interest in an entity. Such mentioned principals are subject to provide a form of identification, credit, OFAC and background check. Only the guarantor's credit score will be used for qualifying purposes.
MULTIFAMILY CLASSIFICATIONS	<p><i>Class A</i> – A property either (a) built within the last 10 years or (b) a property with a physical age greater than 10 years but has been substantially renovated, typically located in popular and desirable areas. Commands rents within the range of Class 'A' rents within the submarket, with high-end exterior/interior amenities as dictated by other Class 'A' products in the market that tend to cater to a higher credit rated tenant.</p> <p><i>Class B</i> – A property either (a) built within the last 20 years or (b) an older property that has been recently renovated that commands rents within the range of Class 'B' rents in the submarket. Good quality construction with little deferred maintenance, well maintained, but less luxurious amenities than Class A qualifications</p> <p><i>Class C</i> – A property either (a) over 30 years old with improvements showing little signs of deferred maintenance or (b) physical age greater than 20 years with minimal improvements, with most appliances/amenities being 'original' or considered outdated. Commands rents below Class 'B' rents in the submarket. Typically rented out of necessity</p>

OVERVIEW

1. General

	Minimum Loan Amount*	Maximum Loan Amount	Minimum Property Value
Single Unit	\$125,000.00	\$2,500,000.00	\$100,000.00
2-4 Unit	\$125,000.00	\$2,500,000.00	\$100,000.00
5-10 Unit	\$250,000.00	\$2,500,000.00	See Multi Matrix
Crossed Portfolio	\$250,000.00	\$3,000,000.00	No Minimum*

* Churchill reserves the right to determine if individual properties are suitable for a Crossed loan based on minimum property value assessed.

* Loans below minimum amount required may be approved on an exception basis upon Churchill Review.

Min. Number of Properties	Max. Number of Properties	Min. Units per Property	Max. Units per Property
1	20	1	10

Eligible Property Types*	
Property Types	Single family detached residences
	Planned Unit Development (PUD) – Exposure is limited to 20% of the units in a project. For project with < 4 units, exposure is limited to no more than one unit.
	2 – 10-unit residences
	Condominiums (warrantable only) – Exposure is limited to 20% of the units in a project. For projects with ≤ 4 units, exposure is limited to no more than one unit.
	Townhomes
Square Footage	Minimum 600 sq. ft

* See Appendix G for non-eligible property types

Permitted Collateral
One or more properties owned fee simple or leased fee* by the borrower which meet the property requirements

* Properties subject to ground rent in a leasehold estate permitted pending Churchill approval

Property Location
Major markets
Secondary market locations must have a minimum population of 250,000 based on MSA population
Rural locations ineligible

Borrower Exposure
Maximum \$7.5mm

Liens
First Lien Mortgage
Additional debt secured by the property is not permitted
Unpaid or delinquent taxes or assessments on the subject property, or federal tax judgements which could impair the priority of the mortgage are not permitted

Listed Properties
Properties listed within the last 6 months are subject to the following: <ul style="list-style-type: none"> * Evidence that it has been taken off market * Provide reason for listing and proof of intent to rent

2. Loan Details

Loan Purpose	
Business Purpose Loans for:	Purchase
	Rate/Term Refinance
	Cash Out Refinance (where net cash to borrower at settlement > 2% of loan amount)

Products	IO Mos	Amortization	Term	Caps	Margin
30YR Fixed	-	360	360	-	-
30YR Fixed IO*	120	240	360	-	-
5/6 ARM	-	360	360	2/2/5	6.00%
40YR Fixed IO*	120	360	480		
7/6 ARM	-	360	360	5/2/5	6.00%
7/6 ARM IO*	120	240	360	5/2/5	6.00%
10/6 ARM	-	360	360	5/2/5	6.00%
10/6 ARM IO*	120	240	360	5/2/5	6.00%

* Interest Only loans subject to max LTV of 75%

* Day-count convention: 30/360

Adjustable-Rate Mortgage ("ARM") Terms	
Index	1-month SOFR
Margin/Floor	6.00%/Start Rate
Floors	Initial Rate & Periodic Rate Reset: None
	Lifetime Floor: Original/Initial Note Interest Rate

Prepayment Penalty	
5-year penalty with 5%, 4%, 3%, 2%, 1% stepdown fee structure; OR	
4-year penalty with 4%, 3%, 2%, 1% stepdown fee structure; OR	
3-year penalty with 3%, 2%, 1% stepdown fee structure; OR	
2-year penalty with 2%, 1% stepdown fee structure; OR	
1-year penalty with 1% fee	
0-year penalty is allowed without exception	

Crossed-Collateralized Properties	
Portfolio Size	Maximum 20 properties per loan (> 20 on case-by-case basis)
	All properties must be within the same state
Release Prices	May permit partial releases at a release price equal to at least 120% of the allocated loan amount for each property. Allocated loan amounts must be determined proportional to the appraised values of each property

<p>Required REMIC Language</p>	<p>All closing documents must provide the following language in regards to REMIC language:</p> <p>Notwithstanding anything to the contrary in this Security Instrument, if the Loan is held by a “real estate investment conduit” (a “REMIC”) within the meaning of Section 860D of the Internal Revenue Code of 1986, as amended (the “Code”), and following the release of any real property collateral the ratio of the value of the real property collateral securing the loan is greater than 125% (based solely on the value of the real property and excluding personal property or going concern value, if any, as determined by Lender in its sole discretion, using any commercially reasonable method permitted to a REMIC under the Code) to the outstanding principal balance of the loan (such amount, the “REMIC LTV”), then Borrower shall pay down the principal balance of the Loan by an amount equal to the greater of (A) the amount of principal required to be paid pursuant to this Section 23 above and (B) the least of the following amounts: (1) if the released property is sold in an arm’s length transaction with an unrelated third party, the net proceeds of such sale; (2) the fair market value of the released property at the time of the release, as determined by Lender in its sole discretion using any commercially reasonable method permitted to a REMIC under the Code; and (3) an amount such that the REMIC LTV does not increase due to the release.</p>
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3. Key Ratios

Loan to Cost ("LTC")	
Total loan amount divided by cost basis* (see defined term for cost basis)	

Loan to As-Is Value ("LTV")	
Total loan amount divided by the lower of:	* Appraised As-Is Value
	* If purchased < 6 months with no improvements, lesser of AIV or 120% cost basis*
	* Purchase Price (if purchase transaction)

* If the property has been owned for 90 days or less at the time of loan origination (assuming there is an existing lien on the property), the applicable LTV/LTC will be constrained to the lesser of the 120% of cost basis and appraised value. The seasoning period extends to 180 days if the property is owned and was bought free and clear.

* If property has completed improvements owned within 3 – 6 months and supplemented with sufficient documentation to support increase in value, the appraised value may be used subject to Churchill approval.

Debt Service Coverage Ratio ("DSCR")	
Minimum DSCR	1.00x for SFRs, 1 - 4 Unit, and STRs
	1.15x for 5 - 10 Units & Crossed-Collateralized Properties
	Anything below may be approved with compensating factors per CH review
DSCR Calculated as:	Gross Monthly Rental Income / Monthly (P)ITIA
Gross Rental Income Calculation:	Rental Income is calculated by the lesser of:
	* Actual monthly in-place rent per lease agreement
	* Monthly market rent per the appraisal
	* If executed lease reflects higher monthly rent than appraisal, it may be used with sufficient evidence of receipt (min. 3 consecutive months), subject to Churchill approval
	* For STRs, see Short Term Rental Requirements
PITIA Calculation: (ITIA if I/O Term)	* Monthly mortgage principal and interest payment at origination
PITIA Calculation: (ITIA if I/O Term)	* Monthly property tax payment
	* Monthly home insurance payment (wind, flood, etc. if applicable)
	* Monthly HOA payment

BORROWER DETAILS

4. Borrowing Entities

Legal Entities	
Eligible Borrowers	* Domiciled in the United States
	* LLCs, LPs, Revocable Trusts, Corporations, and Individuals*. Irrevocable Trusts ineligible.
Validation of Borrowing Entity	All members of borrowing entity must be disclosed
	Personal ID for members with > 20% ownership (driver's license, passport, other government-issued photo identification)
	Credit Report for members with > 20% ownership (not used for qualifying unless guarantor)
	Valid Certificates of Formation (Articles of Organization/Formation)
	Valid Operating Agreement/Partnership Agreement/Bylaws
	Valid Certificate of Good Standing (if entity is not newly formed)
	Background Report & OFAC for borrower(s) and borrowing entity
	Executed W9/Entity EIN
For Limited Partnerships, following apply:	The LP must be wholly owned directly by the Partners
	Newly formed LP's will be accepted for refinance and purchase transactions
	If the borrower on a refinance transaction has been added to title through a transfer from the LP to an individual borrower(s), or from an individual borrower(s) to the LP, then the borrower (LP or individual) must have been 100% of the owner(s) collectively prior to and after the transfer.
	If the LP is not an LP newly formed for the loan applied for, then the underwriter will obtain and review background check report or other similar report to determine that the LP is not subject to litigation, bankruptcy proceedings, liens, or other adverse matters that in the judgment of the underwriter will impair the loan applied for

* Individuals accepted subject to compensating factors.

Recourse & Guaranty Structure	
If Borrower is a Legal Entity:	Full Recourse Warm Body Guaranty by: * one or more individuals which in aggregate own at least 51% of the borrowing entity is required (non-recourse with customary "bad-act" carveouts including bankruptcy permitted <i>if approved</i> on exception basis); OR * Guarantor(s) on the loan must have previously obtained a mortgage prior to the origination of the subject loan (see documentation requirements below)
	* Full Recourse is required for multifamily transactions

Guarantor Requirements	
Documentation/ Experience	At least one guarantor must have a minimum of twelve (12) months of verified real estate investment experience, excluding any borrower primary or secondary homes. Acceptable forms of documentation include (a) previous Purchase HUDs, (b) verifications of mortgage, (c) property details report. Other documents supporting borrower's experience can be accepted on a case-by-case basis.
	First time investors, excluding primary mortgage as track record history, are subject to a 5% reduction in LTV.
Eligibility	US Citizens
	US Legal Permanent Residents (Green Card Holders)
	Must be at least 21 years of age
	Non-US Residents/Foreign Nationals w/o a US Credit Report, subject to: * Valid Passport and US Visa (if not subject to Visa Waiver Program) * LTV Restrictions as indicated on Matrices

Credit Requirements	Credit pull must be obtained from CIS DataVerify, CoreLogic, SAS or Similar Engine (dated no more than 90 days from the Note)
	Minimum of two (2) credit lines showing 24 months or more with activity in the past 12 months, or minimum of three (3) showing 12 months or more of activity in the past 12 months
	0x30x12 on mortgage loans per the credit report. No mortgage late payment in the last 12 months
	No bankruptcy in past 3 years
	No derogatory housing credit event (foreclosure, short sale, deed-in-lieu) in past 3 years
	Judgments, tax liens, charge-offs, non-medical collections must be paid in full or in satisfactory status and borrower must provide evidence of being current on payment plan for a minimum of 6 months prior to close. Evidence must be provided for any lien that is considered unenforceable.
Credit Score	660 minimum qualifying FICO for SFR, 1 - 4 Unit
	680 minimum qualifying FICO for 5 - 10 Unit, Crossed-Collateralized Loans
	Determined As: * Mid score if 3 scores are available * Low score if 2 scores are available
	* Qualifying Credit Score is of the highest middle score
	* Permanent Resident Aliens and Non-Permanent Residents who have a U.S. Social Security Number must meet all credit requirements outlined in the guidelines, provided that the minimum credit score is as above
Background Requirements (req. for each member of an entity if ownership is > 20%)	A background check or fraud screen, from Lexis/Nexis, Checkpoint, or another comparable provider, within 90 days of loan origination
	Background check must include litigation, criminal history, judgment, and lien searches * Prior criminal convictions shown on the background report are subject to further review by Churchill
	An OFAC check must be conducted within 45 days of loan origination
	For any Principal with a tax lien (federal, state, property or personal), evidence of release/satisfaction prior to the closing
	Individuals acting as Guarantors must be at least 21 years old and have an ownership interest in the subject property
No Guarantor, Borrower, or Principal may have the following finding:	* Bankruptcies, foreclosures, short sales, or deeds-in-lieu within the last 36 months
	* Included on the OFAC list
	* Any delinquent mortgage payment at the time of origination, 30-day late mortgage payment in the preceding 12 months, more than one 30-day mortgage payment delinquency in the preceding 12 to 24 months, and any 60+ day late mortgage payment within the preceding 24-month period per the credit report
	* No forbearance plan entered within the preceding 24-month period per the credit report

Liquidity Requirements	
Reserves must be sufficient to cover:	Down payment if property is being acquired at origination
	Closing costs
	A minimum of six months of payments including scheduled principal and interest, taxes, insurance, and association fee, if applicable (PITIA).
	50% of the amount of cash out proceeds are an acceptable source of liquidity (for SFR, 1- 4 Unit)
	* Foreign Nationals must provide minimum 12 months proof of liquidity
	* LTV Restrictions as indicated on Matrices

PROPERTY DETAILS

5. Property – Single Unit, 1-4

Third Party Reports	
Loan Amounts < \$1,500,000	Market rent estimate (Form 1007) included in appraisal
	All appraisals must include a copy of the appraiser's certificate in the report
	Collateral Desktop Analysis, < 10% variance
	If Appraisal/CDA variance exceeds 10%, second full independent appraisal required
Loan Amounts > \$1,500,000	Two full independent appraisals required
	Market rent estimate (Form 1007) included in appraisal
	Lower value between two appraisals will be used to determine AIV
Required for all Appraisals	
	One full, independent USPAP/FIRREA compliant appraisal required. A full Interior/exterior appraisal is required on all assets and the Appraiser must be engaged through an approved Appraisal Management Company ("AMC"). Non-AMC reports approved pending CH review
	Market rent estimate (Form 1007) included in appraisal
	Appraisals dated within 120 days of closing date are required. Appraisals within 120 - 180 days with recertification of value provided by appraiser acceptable on an approval basis
	All appraisals must include a copy of the appraiser's certificate in the report
	Secondary Valuation (CDA) required with < 10% variance
	* Lower of two appraised values to be used in LTV calculations
	* Appraisal must be marked 'As Is' - if 'Subject To', 1004D must be provided to show repairs were completed
	For avoidance of doubt, short term or specialized use rental rates are not acceptable for use as market rent.

Property Condition and Deferred Maintenance	
Condition	All properties required to be in lease ready condition with no renovations or repairs required
	Properties must have a property condition rating of C-1 to C-4 as reflected in the appraisal
	Properties must have a quality rating of Q1-Q5 as reflected in the appraisal
	C5, C6, or Q6 are ineligible
Deferred Maintenance	Are not to exceed 3% of the value of the subject property
	Maintenance can only be for cosmetic items (paint, chipped wood, etc) and not related to structural components or anything that would affect property being habitable

Occupancy Requirements	
Business Purpose	Borrowers/Guarantors are required to sign a business purposes affidavit/certification that confirms the property is not owner occupied. Property may not also be occupied by any relative
Purchase Transactions	Properties are not required to be leased at the time of origination for purchases. Churchill may have the right to request an executed copy of the lease within 3 months of closing. If the borrower is unable to provide a lease, it may be deemed as an event of default.
Refinance Transactions	Single family properties must be leased at the time of closing and the borrower must provide evidence that the property has been leased
	For 2 – 4-unit properties, there shall be no more than one vacant unit at origination. Any vacant unit must provide evidence of active intent to rent the unit
	* If property recently completed renovation and a scope of work can be provided to support vacancy, exception for unoccupied unit(s) may be allowed

Leased v. Unleased Properties	
Leased Definition	A current, active lease with a minimum initial term of at least 12 months, between unrelated parties OR; Month-to-month leases
Unleased Definition	No Current Tenant/Vacant
	Unleased properties may be allowed for refinance loans subject to a reduction in max LTV * Experienced, repeat borrowers and bridge loans considered on an exception basis.

Lease Requirements	
All leases must:	Be a third-party lease with no members of the borrower or family members leasing or occupying the property
	Be fully executed by both the lessor and lessee
	Used only for residential purposes
	Have monthly rent amount in U.S. dollars
	Initial lease term of at least 12 months * must also have at least three-month remaining term. Request of new lease may be requested for leases near expiration
	Month-to-month leases permitted with evidence of rent collected
	Ground leases acceptable in areas where such leases are customary, and subject to the ground lease length being longer than the loan by five years or more. Ground rent must be included in the PITIA used for the calculation of DSCR, if applicable
	Vacation or seasonal rentals allowed with Churchill approval
Ineligible Lease Types	No individual room leases, Single Room Occupancy (SRO), or board leases permitted
	No commercial use allowed
	No purchase or sale-leaseback options are permitted
	No cash-for-deeds
	No leases with a term of > 3 years

Underwritten Rents	
Leased Units	Lower of in-place rent and market rent from valuation report* (see DSCR Qualifying Calculations)
	New leases require evidence of first month's rent and security deposit paid as stated in the executed lease agreement. (Leases unable to provide 3 months' rent)
	* If requested by Churchill, in order to verify occupancy for refinance transactions, at least three (3) months of rental income from in-place leases or month-to-month leases must be provided
Unleased Units	90% of market rent from valuation report is used to calculate qualifying rent if vacant
Cross-Collateralized Units	Qualifying rent is calculated on a per property level. Lesser of in-place and market-rent is used for each applicable property in a crossed-collateralized portfolio.

Short Term Rentals	
Requirements	Occupancy must be no less than 50% over a 12-month period (through rent roll and/or third-party report such as AirDNA)

	<p>If not a purchase, the borrower must provide documentation generated by a third party, such as a leasing service, property manager, or CPA, which proves that the property is generating consistent cashflow for a minimum of at least twelve (12) months. Documentation cannot be older than 90 days of the loan origination date.</p> <p>* Borrower generated statements are only accepted at Churchill's discretion</p>
	The property must have its rent patterns confirmed using the AIRDNA 'Rentalizer' tool located at www.airdna.com (or other comparable resource). The documentation and report should specifically validate nightly rent rates and occupancy information for the geographic area
	For refinance transactions, Properties must have been an active listing for at least 12 months (with supporting documentation). Properties without a minimum of twelve (12) months proof of operating history are subject to a reduction in LTV at Churchill's discretion.
Qualifying Calculations for STRs	
Refinances	The lesser of (a) the monthly income from the 12-month operating statement or (b) 100% of the monthly market rent as stated on the appraisal is utilized.
Purchases	100% of the monthly market rent as stated on the appraisal is utilized.

6. Property – 5-10 Units

FICO	Purchase	R/T	Cash Out
740+	75	75	70
720 - 739	75	75	70
700 - 719	75	75	70
680 - 699	70	70	65

*Minimum DSCR >= 1.15x

Product Requirements	
Property Types	5-10 Units
Loan Amount	Minimum: \$250,000
	Maximum: \$2,500,000
Reserve Requirements	Cash-out proceeds cannot be used towards reserves
Appraisal/Desk Review Requirements	Multifamily or Commercial Appraisal only on 'As Is' basis using both a cashflow/income capitalization and sales comparison approach that meets FIRREA requirements. Narrative form accepted.
	Appraisals <u>must</u> have minimum 3 occupied units inspected + all down units <u>OR</u> if there is a vacant unit, min. 2 units + all vacant and down units inspected
	Market Rent Addendum (Form 1007) must be included in appraisal
	Commercial BPO or CDA with variance not to exceed 10% of appraised value
	Declining property value as indicated on appraisal subject to 10% max LTV reduction
Minimum per Unit Value	Minimum \$50,000/unit unless located in specific MSA (lower of As-Is value or Cost Basis Approach)
Property Condition	Must be C4 or higher as determined on the appraisal
Vacancy	Maximum 2 vacant units at time of origination
	Qualify using 90% of market rent for vacant or down units
	Properties located in a submarket with a vacancy rate > 10% are not eligible

Borrower Qualifications	
Experience	Minimum twelve (12) months of multifamily experience <u>OR</u> strong track record of SFR/1-4-unit experience. Other borrower experience subject to Churchill review.
	First time investors and foreign national borrowers not eligible.

Additional Multifamily Required Documentation (in addition to SFR required document list)	
Rent Roll & Property Net Cash Flow Statement (3 mo.)	
Environmental Screening or Environmental Database Review required for all loans	
Property Condition Assessment ("PCA") required for any transaction that indicates a structural concern or as requested by Churchill	
A Phase 1 Assessment ("Phase 1 ESA") is required if the Environmental Database Review returns additional or elevated risk factors that require further inspection or if there is a property change of use (i.e., formerly commercial converted into a multifamily)	
A Seismic Assessment is required if the following is true: appraisal indicates any seismic concern or located in a seismic zone; loan amounts > \$2mm	
A certificate of occupancy may be requested for all units that have undergone any construction or rehabilitation work within the last twelve (12) months	

MSAs Minimum Unit Value Requirements	
\$75K AIV per Unit	Los Angeles
	Miami
	New Orleans
	Oakland
\$100K AIV per Unit	Atlanta
	Baltimore
	Chicago/Gary
	Cleveland
	New Jersey
	Philadelphia

7. SFR, 1 – 4 Unit Matrix

Product		DSCR	
Max (\$000s)	FICO/LTV	DSCR >= 1.00x	
		Purch. & R/T	Cash-Out
1,500	740	80	75
	720	80	75
	700	80	75
	680	80	75
	660	75	70
2,000	740	75	65
	720	75	65
	700	75	65
	680	70	65
	660	65	60
2,500	740	75	65
	720	75	65
	700	75	65
	680	70	65
2,500	FN	65	60

Product		DSCR, Crossed	
Max (\$000s)	FICO/LTV	DSCR >= 1.15x	
		Purch. R/T	Cash-Out
3,000	740	75	70
	720	75	70
	680	70	65

**Experienced Investors Only*

APPENDIX

APPENDIX A: LEGAL AND INSURANCE

Loan Collateral	
Loan Collateral	First Priority mortgage/deed of trust for each property
	First Priority blanket assignment and subordination of leases and rents
	Assignment and subordination of property management agreement (if applicable)

Reserves and Escrows	
At Loan Origination:	<p>Borrower shall deposit with lender an amount sufficient to pay:</p> <ul style="list-style-type: none"> * All property taxes by the 30th day prior to the date such taxes become initially due * Initial insurance premium for a policy expiring within 1 month of loan origination date
On Each Payment Date:	<ul style="list-style-type: none"> * 1/12 of projected annual property taxes that the servicer estimates will be payable with respect to the property(s) during the next ensuing twelve (12) months, and * An amount equal to 1/12 of the Insurance Premium(s) that servicer estimates will be payable for renewal or replacement of the insurance policies upon the expiration thereof * Subject to traditional and periodic escrow account analysis, performed by the servicer

Crossed-Collateralized Loans (Multi-Property Loans)	
Cross Default	Cross-collateralization and cross default required if multiple properties are represented
	No Substitution permitted

Insurance Requirements	
Insurance Carrier	Insurance carrier must be rated no less than A-VIII by A.M. Best. Coverage must be equal to the lesser of the unpaid principal balance on the mortgage or 100% of the Insurance value of the Improvements.
Lender	Lender must be included as additional mortgagee/loss payee/additional insured per guidelines
Documentation	Full policy and declarations in addition to insurance invoice with premium amount required
	Property insurance - "Causes of Loss - Special Form" or "All Risk" hazard insurance
	Evidence of Liability Insurance
	Business Interruption/Rent Loss insurance for a minimum of 6 months
Flood Insurance	
General	A flood certification is required on all loans. If any property is identified as having special flood hazards (located in an SFHA requiring flood insurance), and flood insurance is available, the borrower must obtain a flood insurance policy meeting the guidelines set forth in the Federal Emergency Management Agency. Flood insurance should cover no less than the least of (i) the maximum principal balance of the mortgage loan, (ii) the full insurable value of the mortgaged property, and (iii) the maximum amount of insurance available under the National Flood Insurance Act of 1968.
	Flood insurance should generally be in the standard policy form issued under the National Flood Insurance Program
	The declaration page of the policy is acceptable evidence of flood insurance coverage
Required	<p>For loans where Flood Insurance is required, the mortgage loan must have one of the following:</p> <ul style="list-style-type: none"> * A complete flood insurance policy containing a standard mortgagee clause

Documentation	* A complete application to the National Flood Insurance Program (NFIP) with evidence that the first-year premium on the policy has been paid
Insurance Calculation	<p>The amount of flood insurance required is the lesser of:</p> <ul style="list-style-type: none"> * The unpaid principal balance of the mortgage, or * The maximum amount of coverage available under the NFIP for the type of improvements, or * The replacement cost of the improvements.

APPENDIX B: TITLE INSURANCE REQUIREMENTS

Title Insurance	
General Requirements	Good and marketable fee simple lender's title free of any liens in an amount equal to 125% of the loan's note amount from a US domiciled title insurer which satisfies the financial ratings guidelines in the Fannie Mae Family Selling Guide. 100% insured acceptable with CH approval.
	Each property must be comprised of at least one parcel which constitutes a separate tax lot and does not constitute a portion of any other tax lot not a part of such property
	Each property must have adequate rights of access to public utilities and public rights of way
	Title insurance should include customary "gap" coverage
	Title insurance should be written on 2006 American Land Title Association (ALTA) standard form
	There should be no subordinate debt, liens for delinquent charges, unpaid assessments for HOA dues, or improvements
Title Requirements for Condominiums & PUDs	
Condominium Requirements	If the project is part of a condominium association, the homeowners' association must maintain a master or blanket type of insurance policy, with premiums being paid as a common expense. If the policy is a blanket/master policy, Churchill Residential must receive a certified copy of the Declarations page of the policy that shows the subject property/properties is/are clearly identified in the Blanket/Master policy. Individual insurance policies are NOT required on individual condominium units.
	<p>Hazard insurance for entire condominium project must be verified through review of the following documents:</p> <ul style="list-style-type: none"> * Master Liability Insurance Policy * Master Property Insurance Policy * Rent-Loss Insurance * H06/Walls-In-Policy
	Condominiums must be covered by an insurance policy which protects against fire, and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily insured against by similar types of projects, including those covered by the standard "all risk" endorsement.
	Policies covering the common elements for a condominium project must cover all elements except for those that are normally excluded from coverage, such as land, foundation and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.
	The "master" or blanket policy covering common elements of a condominium project must cover all of the general and limited common elements that are normally included in coverage such as fixtures, building service equipment and common personal property and supplies belonging to the homeowner association
	<p>The condominium owner's association must maintain blanket "all risk" coverage for the following:</p> <ul style="list-style-type: none"> * General and limited common elements within the condominium project * Fixtures, machinery, equipment, and supplies maintained for the service of the condominium project

	* Fixtures, improvements, alterations, and equipment within the individual condominium units
	Coverage must be for 100% of the insurable value of the common elements or property described above and provide loss or damage settlement on a replacement cost basis
	The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements may not exceed 5% of the limit maintained for building coverage
Title Policy Endorsements (Condominiums and PUDs)	Construction Code Endorsement – if there is a construction code provision that would require changes to undamaged portions of the subject project’s building even if only part of the building is destroyed by and insured hazard
	Steam Boiler and Machinery Coverage Endorsement – if the project has central heating and cooling. The minimum coverage per accident must be at least equal to the lesser of \$2 million or the insurance value of the building(s) containing the boiler or machinery. Separate stand-alone boiler and machinery coverage may be purchased in lieu of obtaining this endorsement
	<p>Additionally, policies covering a condominium project should provide that:</p> <ul style="list-style-type: none"> * Insurance trust agreements will be recognized * The right of subrogation against unit owners will be waived * The insurance will not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the homeowner association; and
	The policy will be primary, even if a unit owner has other insurance that covers the same loss
Additional	For condominium projects, master policy is sufficient if coverage equals either 1) 80% of the replacement or 2) the maximum insurance available from NFIP per unit (currently \$250,000)
	<p>For PUD units, master policy must cover any common element buildings and any other common property located in an SFHA.</p> <ul style="list-style-type: none"> * The unit allocation from the master policy must meet the one-to-four-unit coverage requirements * The same flood insurance for individual PUD units that is required for other one-to-four-unit properties

APPENDIX C: BORROWER LIQUIDITY

Borrower Liquidity	
General	Documentation used to verify liquidity must be dated within 60 days of the loan origination date. When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance. All balances must be stated in U.S Dollars.
Acceptable Verification of Liquidity	Bank, money market or securities account statement for cash and cash equivalents.
	Cash value of a life insurance or annuity policy
	70% of the vested value of 401(k) or IRA plans, after reduction for outstanding loans
	70% of publicly traded stocks, bonds, and mutual funds outside of a retirement plan
	Annuities - 60% of the vested value If borrower is younger than 59 1/2. Borrowers aged >= 59 1/2 may
	Apply 70% of securitized assets (stocks, bonds, mutual fund shares) and 100% of non-market sensitive assets (money market shares, cash)
	Bank or brokerage account held in the name of a Trust <ul style="list-style-type: none"> * Requires copy of the full Trust Agreement that provides beneficiary details and access to funds in the Trust's bank and/or brokerage account * OR requires formal or official documentation from the bank substantiating that the applicant is the beneficiary and has unlimited access to funds in the Trust account
	Business bank or brokerage account <ul style="list-style-type: none"> * Requires a copy of the full Operating Agreement that details ownership of the entity and access to funds in the entity's bank/brokerage account * OR requires formal or official documentation from the bank substantiating that the applicant is an authorized signor and has access to business account funds
	Cash-out proceeds may be used towards reserves on a case-by-case basis.
	Assets for down payment from a "like kind exchange", also known as a 1031 exchange, are eligible if the property is documented and in compliance with IRS Code Section 1031.
Following must be included to verify Assets:	Name of the institution
	Validation of account ownership
	Borrower(s)/Guarantor(s) name and business name, when applicable
	Account number to include at least three digits of the account number
	Visible and legible dates
	Statements with ALL pages evidencing at least two months consecutive activity
	Electronic submission such as scans, photos and faxes are acceptable so long as they are legible and
	* Include all the above criteria
Editable forms, such as Microsoft Excel workbooks, are NOT acceptable	

APPENDIX D: ARMS-LENGTH TRANSACTIONS

Non-Arm's Length Transactions	
Definition	A non-arm's length transaction occurs when the borrower/guarantor has a direct relationship or business affiliation with the subject property Seller, Builder, Developer, or any other party directly related to the transaction.
Examples (included, but not limited to)	* Family sales
	* Property in an estate
	* Flip transaction
	* Employer/employee sales
Eligible Non-Arms Transactions	* Buyer(s)/Borrower(s) representing themselves as an agent in the real estate transaction
	* Seller(s) representing themselves as agent in the real estate transaction
	A borrower may act as an Interested party to a sales transaction for the subject property; however, borrower may not use any payment for services rendered from the sales transaction of the subject property towards the reserve's requirements.
Churchill Residential will conduct a thorough review of the title report and the payment history pattern when a non-arm's length transaction is suspected.	

APPENDIX E: REQUIRED DOCUMENT LIST

Required Document List	
Borrower Documents	Term Sheet
	Signed Loan Application
	Identification of Borrower - Driver's License, Passport, other Gov't Issued ID
	Recent & consecutive 2 Months Bank/Asset Statements (Entity/Names must tie)
	Borrower Experience Verification for at least 12 months
	Operating Agreement/Bylaws
	Articles of Incorporation/Filing Documents
	Certificate of Good Standing (if entity not recently formed)
	EIN AND W9
	Credit Report – All individuals on entity with 20% or greater ownership interest
	Background Report & OFAC – All individuals on entity with 20% or greater ownership interest
	Background Report & OFAC – For Existing Borrowing Entity
Property Documents	Purchase Contract/HUD (if requested for refinances and required for purchases)
	Appraisal with market rent addendum
	CDA Report (variance < 10%)
	Evidence of Insurance * GL & dwelling insurance, annual premium, min. 6 months Loss of Rent Coverage, fire, flood, hurricane, or other if applicable
	Executed Lease Agreements (Original and Renewals)
	Proof of Payment (3 mo. verification for all MTM leases, security deposit and first month's rent new leases)
	Flood Certification
	Recent Tax Certificates or Tax Bills

	Evidence of Insurance
	<i>If Applicable:</i> Completed Condominium Questionnaire Copy of the Condominium Master Insurance Policy/Certificate For HOAs, HOA statement with proof of good standing/payment plan being current Property Management Agreement (if managed by 3 rd party) AirDNA Report (if Short-Term Rental)
Loan Documents – Fully Executed	Escrow Instructions
	* Signed by Title Agent
	* Churchill address used for shipping
	Title Commitment
	Loan policy - must be >= to Loan Amount
	HUD-1/Settlement Statement
	Promissory Note
	* With all relevant riders
	Allonge to Promissory Note
	Mortgage Deed of Trust
	Assignment to Mortgage
	Loan Agreement
	Guaranty
	Business Purpose Affidavit
	Environmental Indemnity
	General Warranty Deed
	Signed ACH with Voided Check
	First Payment Letter
	Closing Protection Letter
	Assignment of Rents & Leases if Purchase where lease will continue

APPENDIX F: AGE OF DOCUMENTATION

Documentation Type	Maximum Age of Documentation from <u>Note Date</u>
VOM Listed in the Credit Report	90 Days
VOM (Outside Form)	No more than 60 Days
CREDIT REPORT	90 Days
BACKGROUND CHECK	90 Days
OFAC CHECK	45 Days
BANK STATEMENTS	90 Days
APPRAISAL	120 Days
TITLE	90 Days
CERTIFICATE OF GOOD STANDING	90 Days
FLOOD CERTIFICATE	90 Days
INSURANCE	If expiration is < 2 months (60 days), renewal is required
POWER OF ATTORNEY	90 Days

APPENDIX G: INELIGIBLE PROPERTIES

The following property types are <u>NOT</u> eligible for financing:
Non-warrantable condominiums
Manufacturer, modular or mobile homes (properties with VIN numbers or otherwise not attached to a permanent foundation)
Cooperatives
Raw land, working farms or ranches
Rural areas as indicated on the appraisal
Properties subject to purchase options
Vacant land or land development properties
Acreage greater than 1 acre
Properties with less than minimum square footage requirement as mentioned in section 1.9
Properties which are not in compliance with local zoning regulations (including as reflected on the appraisal or residential evaluation)
Properties with known adverse environmental conditions (other than lead paint, radon or asbestos in each case which do not present a health hazard, do not require remediation and have been verified contained per EPA guidelines prior to funding).
Properties with underground oil tanks are not permitted without environmental assessment
Total or partially condemned property (including threatened or pending eminent domain)
Properties that are not in a lease ready condition or appraisal condition of C5, C6
Mixed use properties
Assisted living facilities
Log homes
Houseboats
Condotels or Timeshares
Boarding houses
Dome or geodesic homes
Homes on Indian reservations
Hawaii properties located in lava zones one and/or two
Property occupied by Borrower/Guarantor, or any member of the borrowing entity.
Properties with deed restrictions. They may only be approved on a case-by-case basis (e.g., age- restricted communities)