Seller's Guide

Dated:
~~March 21~~October 10, 2025

BANK STATEMENTS (VERIFICATION OF FUNDS / ASSETS)	Statement may be 90 days and an online transaction history as of the date of closing or final escrow deposit may be used to document an updated balance. An updated on-line history should be obtained to update a quarterly account.
PRELIMINARY TITLE REPORT / COMMITMENT REPORT	90 days from Preliminary Title Report's effective date to closing.
APPRAISAL	If the appraisal date is greater than 120 days at the time of ~~c~~Closing, an appraisal re-certification of value is required. If the appraisal is dated 180 days or more at the time of ~~c~~Closing, a full new appraisal is required. (Reference §14.5 of this Guide.)
BROKER PRICE OPINION (BPO)	90 days as of funding.
VERBAL VERIFICATION OF EMPLOYMENT	A verbal verification of employment ("VVOE") will be conducted by Acra within 72 hours prior to funding.
CLOSING PROTECTION LETTER (CPL)	60 days from the date issued; must be valid through date of funding.
HAZARD INSURANCE DECLARATION PAGE	Funding to occur (i) prior to a present expiration date on the Dec Page or (ii) within 30 calendar days of its issuance.
BACKGROUND GUARANTOR / BORROWER	Background checks, where required, must be done within 90 days.
PROFIT & LOSS STATEMENT	90 days as of the date of Closing Date.

II. BORROWER ELIGIBILITY

3.4
ELIGIBLE BORROWERS

Acra funds loans made to natural persons who are citizens and / or legal residents of the United States and natural persons who are Permanent Residents of the United States. Natural persons must have reached the age of majority in the jurisdiction where the subject property is located.

Individual Tax Identification Number ("ITIN") Borrowers may be eligible for the Non Prime program as consistent with §3.9.

Foreign Nationals may be eligible for financing on business purpose transactions (i.e.: investment properties) as consistent with §3.10.

Business Entities may be eligible for financing on business purpose transactions (i.e.: investment properties) as consistent with §3.12.

Non-permanent Resident Aliens are borrower(s) (i) on a VISA or (ii) have a Social Security Number and an unexpired Work Authorization. They may be eligible for a loan with Acra ~~on a case-by-case basis and~~ based on the type of VISA~~ and compensating factors~~. VISA's that confer Diplomatic Immunity are not eligible for financing. Additionally, if the VISA expires in less than one year from the date of Closing, the Borrower must have an eligible path for renewal.

As CSC services loans, reports the transaction on consumer's credit, and offers loans to qualifying applicants with multiple and differing legal status, origination file will need to document:

- For each Applicant, a copy of at least one government issued picture identification (i.e.: US State driver's license, US or foreign Passport, US Military ID, Permanent Resident Card); and
- A copy of (i) Social Security Card (not required where an SSA-89 or 4506-C / -T is obtained from, respectively, the Social Security Administration or Internal Revenue Service) or (ii) the Applicant's ITIN letter (CP565 Notice) issued by the Department of Treasury / Internal Revenue Service.

  Note: For loan amounts of $3,000,000 or greater, file needs to have a complete background check on all individuals who are either a borrower, co-borrower, or guarantor.

3.5
INELIGIBLE BORROWERS

Acra will not fund loans made to:
Churches or loans processed and submitted by Mortgage Brokers and / or their employees for their personal loan requirements (see also §23.22).

Foreign Nationals are not allowed on a consumer transaction basis.

Any criminal convictions or criminal adjudications, regardless of age, that involves any aspect of fraud, misrepresentation, financial crimes, or are considered acts of moral turpitude, will render the loans ineligible. Pending criminal charges that carry any potential incarceration or involve fraud / misrepresentation or acts of moral turpitude must be resolved (dismissed or exonerated) prior to closing. Felony convictions or felony adjudications regardless of age make the loan ineligible.

~~**3.6**~~
~~**CO-SIGNER AND GUARANTOR**~~
3.6
RESERVED

~~Co-signers or guarantors are permitted on a case-by-case basis. A co-signer or guarantor is an individual whose income and credit are considered in qualifying and is contractually liable for repayment of the debt. However, the co-signer does not reside nor have a vested interest in the subject property, but will take title along with the resident borrower.~~Reserved.

3.10 FOREIGN NATIONALS

Foreign National Eligibility
Foreign Nationals are eligible for financing on business purpose transactions only (i.e.: investment properties).

Borrowers eligible under the Foreign National Program are:
- Non-Resident Aliens who are not authorized to live or work in the U.S. A true Foreign National may periodically visit the U.S. for various reasons including vacation and / or business, may purchase property for ~~either~~limited personal use or investment, or may own a U.S based business entity, but they must reside outside of the U.S.
- Borrowers who are holders of Individual Tax Identification Numbers (ITIN) ~~may be considered on a case-by-case basis~~are eligible for this program if they reside outside of the U.S.
- Due to market exchange rates, applicants are to be reviewed with scrutiny toward a post-close financial position and their ability to mitigate exchange rate fluctuations.

Program Specific Documentation
1. Assets Held / Foreign Accounts:
   - Must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
   - Sufficient funds to close must be on deposit with the Escrow / Closing Agent at least three (3) business days (including Saturdays for this calculation) prior to any closing date.
   - A copy of the two (2) most recent statements of that account are required. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds. Bank statements in any language other than English must be translated into English.

2. Credit References:
   In order to comply with Anti-Money Laundering ("AML") and Office of Foreign Asset Control ("OFAC") requirements, one of the following will be required:
   - A U.S. credit report with at least two (2) trade lines with minimum age of two (2) years for one trade line; or
   - An international credit report; or
   - An original credit reference letter from an internationally known financial institution. The reference letter does not need to include details or payment histories of debt obligations located outside of the U.S.; or
   - A bank statement documenting a foreign financial banking relationship for the past 60-days may be utilized in this section.

Due to OFAC, Acra will not lend to applicants from:
- Afghanistan;
- Belarus;
- Burundi;
- Chad;
- Republic of the Congo;
- Cuba;
- Equatorial Guinea;
- Eritrea;
- Haiti;
- Iran;
- Iraq;

- Laos;
- Libya;
- Myanmar (Burma);
- Nigeria;
- North Korea;
- Russia;
- Sierra Leone;
- Somalia;
- Sudan;
- South Sudan;
- Syria;
- Togo;
- Turkmenistan;
- Venezuela; or
- Yemen.

Acra may consider ~~these~~ applicants ~~on a case-by-case basis where~~originating from the above countries under the following circumstances:

- Legal residency established ~~foreign occupancy~~via unexpired passport in a country not on the above list;
- Income does not come from countries on the above list;
- Banking relationships have been established in a country that is not on the list; and ~~a clear~~
- An acceptable OFAC review ~~are present~~.

3. Florida State Senate Bill 264:
   This Florida Law restricts loans made to businesses, entities, and persons domiciled in various countries identified by the statute, which includes the following:
   - China;
   - Cuba;
   - Iran;
   - North Korea;
   - Russia;
   - Syria; and
   - Venezuela.

   Acra Lending will not originate nor purchase Florida transactions made to Foreign Nationals from the above listed countries, domestic business entities where ownership / control person(s) are from the above listed countries, or ITIN applicants that reside or are affiliated with any of the countries identified in the statute originated after June 30, 2023.

Specific Closing Document Requirements

Each of the following must be met:

- A copy of current Passport, Visa, or ITIN.
- All loans must be closed with a title and closing agent approved and /or vetted by Acra.
- Power of Attorney is acceptable provided it conforms to Acra requirements and is acceptable to the title company.
- Documents signed outside of the U.S. may be notarized by a U.S. embassy or consular official. The certificate of acknowledgement must include the embassy or consular seal and be acceptable to the title company.

3.12 BORROWING ENTITIES

Business Entities are eligible for financing on business purpose transactions (i.e.: investment properties exclusively).

1. **Borrowing Entity Requirements**
   Acra requires all individuals with direct or indirect ownership ≥ 20% to provide a recourse guarantee (Acra approved or may use Exhibit 7) in the case of an entity borrower. All recourse is joint and several in the case of multiple guarantors.

   The Borrowing Entity must be a single purpose entity (SPE). Acra defines a SPE as an entity with no assets other than residential investment or rental properties; engaged in the business of owning and operating residential investment or rental properties. Series limited liability companies are not allowed.

   All entities that will hold direct ownership of the subject property and will be on title as a direct owner are required to be a borrowing entity.

2. **Borrower / Guarantor Types**
   Acra will lend to, and require that title to the collateral be held, either (i) directly by an individual person(s) or (ii) by an entity acceptable to Acra in its sole discretion as further detailed herein.

   Acra requires at least one guarantor to have prior homeownership experience. At least one (1) borrower / guarantor on the loan must attest on the application that they are not a first-time homebuyer. If prior home ownership is not evident within the loan file documentation the underwriter reserves the right to condition for supporting documentation.

   A. Entity / Guarantor Types Allowed
      Domestic Corporations (C and S Corp); single purpose Limited Liability Companies (LLC), excluding series LLC; Limited Liability Partnership (LLP); Limited Liability Limited Partnerships (LLLP); General Partnership (GP); Limited Partnership (LP), and Sole Proprietorship are eligible. In all events, the Borrower must be a US formed and based Entity, foreign entities (i.e.: entities formed or based outside the US) or foreign owned entities are not allowed.

   B. Business entity nesting is limited to only one (1) wholly-owned subsidiary that in turn must be owned by individual(s); multiple nesting or ownership by multiple entities, trusts, etcetera are not acceptable.

   C. Entity / Guarantor Types Not Allowed
      Cooperatives, Irrevocable Trusts, Land Trusts, IRAs, Non-Profit, and Joint Ventures are not allowed.

   D. Entity Documentation Requirements
      Entity Documentation requirements are as follows (as applicable): The below documents are required, without exception, and borrower letters stating that they are not required, available, or excused from providing such documents are not acceptable.
      - Complete, legible copy of the Certificate of Formation / Articles of Organization and all amendments thereto;
      - Complete (with all referenced exhibits), legible copy of the Operating Agreement for LLCs and Partnerships, or Bylaws for corporations and all amendments thereto that includes statement whether it is member

or manager managed, contains authorization to borrow money, enter into contracts for mortgage assets, and designates signers;
  - Additional information may be required in the event there is any conflict between the terms in the formation documents and Operating Agreement or Bylaws.
- All documentation evidencing ownership interest(s) in the entity, which may be evidenced as follows:
  - For LLCs and Partnerships, the Operating Agreement must identify or attach as an exhibit, all person(s) by name with their representative ownership interest in the LLC or provide copies of the Membership interest certificate(s) / unit(s) in compliance with requirements noted in the Operating Agreement.
  - For S or C Corporations, shareholder / stockholder certificates that comply with the requirements noted in the Bylaws, if any, or if stock certificates are lost or unavailable, the corporation's stock ledger; the stock certificate or ledger must account for all of the outstanding shares noted in the Certificate of Formation / Articles of Organization, including those held by the corporation.
  - If stock certificates are lost, destroyed, mutilated, or otherwise unavailable, an Affidavit of Lost Stock Certificate will be required.
  - For S-corporations or Partnerships, in the event both stock certificate and stock ledger are unavailable, borrower may provide (i) the most recent preceding tax year's K-1 statement for all members with 20% or more interest; and (ii) a letter from the CPA or Tax Preparer affirming that current ownership interest in the corporation, and if preceding year's taxes have not been filed a statement attesting to that affect.
- Names on the entity documents must match the identification;
  - If the names do not match the identification exactly, a letter of explanation will be required to address the name discrepancy.
- Certificate of Good Standing or equivalent document valid within ninety (90) days of the closing date;
- Certificate of Foreign Qualification or other qualification to operate in the state where business is being conducted (if entity is formed in a state other than where business is being performed or where the property is located);
- IRS Form SS4 or Federal Taxpayer Identification Number ("TIN") or Employer Identification Number ("EIN") issuance letter for the entity;
  - Generally, the IRS requires all business to have an EIN, with limited exception for sole proprietors, entities without employees, etcetera. EIN exception requests may be submitted for review by Acra's Legal Department with a letter of explanation stating applicable grounds for consideration of the exception; and
- A Unanimous Written Consent / Board Resolution signed by <u>all</u> members regardless of their percentage of interest (i) authorizing the transaction with Acra Lending, and (ii) identifying the authorized to sign the loan documents on behalf of and to bind the entity.
  - A Unanimous Written Consent / Board Resolution may be required based on the terms of the Operating Agreement or Bylaws even where ownership is held by one individual.
  - A Unanimous Written Consent / Board Resolution cannot be used to designate a signor on a personal guarantee only an authorized signor for the loan documents to be signed by the entity.

3.13
FIRST TIME HOME BUYER

Acra defines a First Time Home Buyers ("FTHB") as an application where all Applicants have never previously owned a home (real property).

If an FTHB, for a primary residence purchase, is absent a complete rental history for the prior twelve (12) consecutive months, or is currently not paying any rent, that borrower is limited to:
(a) 70% maximum LTV;
(b) 43% maximum DTI; and
(c) Qualifying income with Full Doc ~~or~~, 12-Month Month Bank Statement Programs~~.~~ ~~Other income documentation may be considered by Acra Senior Management~~, or 1099 Program. The P&L Program is acceptable with three (3) months bank statements supporting the revenue on ~~a case-by-case basis~~the P&L. WVOE is not acceptable for a FTHB.

Where a FTHB is purchasing ~~a Second Home or~~ an Investment property, ~~Acra Senior Management will assess on a case-by-case basis. If originating~~the loan must qualify as ~~an investment is approved file will require~~via DTI ~~(versus~~Program with a maximum DTI of 43%. DSCR~~) with ≤ 43%.~~ is not available.

3.14
NON-OCCUPANT CO-BORROWER

Purchase Transactions:
Acra will consider loans ~~to~~involving non-occupant co-borrowers for purchase transactions, subject to the following criteria:
1. These transactions are permitted provided lowest mid-credit score among all borrowers will be used for qualification purposes; and
2. The loan will be treated as owner-occupied, and disclosed as such when a borrower will be living in the subject.

* See Program Summaries and Pricing Sheets for pricing, max LTV, and / or overlays.

Refinance Transactions:
Acra will consider loans involving non-occupant co-borrower's for refinance transactions provided that the occupying borrower qualifies for the loan based on ~~a case-by-case basis~~FICO and LTV. For qualification purposes, the lower mid-credit score among all borrowers will be utilized.

3.15
ADDING BORROWERS TO TITLE

A non-occupant co-borrower ("new co-borrower") being added concurrently to title must meet the following requirements:

1. The original vested borrower's debt-to-income ratio may not exceed 55% of the total monthly payments (i.e.: monthly PITI payment of subject property and his or her other monthly obligations).
2. The original vested borrower(s) must occupy the subject property as his / her principal residence.
3. The new co-borrower's credit and income must be relied on in part for qualifying purposes.
4. The new co-borrower(s) must execute all loan documents required for the loan program.
5. The new co-borrower(s) must be concurrently added to title through closing.

NOTE: If the borrower's spouse or an occupant co-borrower is being added concurrently to title, the above restrictions numbers 1, 2, and 3 do not apply. ~~Non-occupant co-borrowers will be considered on a case-by-case basis.~~

Original Vested Borrower – must have a vested interest in the subject property (i.e.: must be currently vested on title to the subject property and be the mortgagor on any liens secured by the subject property).

Non-Borrowing Vested Owners
For refinance transactions, non-borrowing vested owners can remain on title with the borrower and retain their percentage of ownership as it is currently recorded. The non-borrowing vested owner will be required to sign the security instrument and be considered title only.

Adding a non-spouse to title, who is not already an owner of record, is not permitted. A non-borrowing vested owner is not required to be on the evidence of insurance or closing protection letter, however, it is acceptable if said non-borrowing vested owner is listed these items.

3.16
NON-BORROWING OR NON-TITLED SPOUSE

A non-borrowing spouse is the borrower's spouse whose credit and income are not considered for qualifying. A non-borrowing spouse may or may not be currently vested on title to the property.

A non-titled spouse is the borrower's spouse who currently is not vested on title to the property. If the borrower's spouse is to be added to title through the subject transaction, he or she must be included in the qualifying process and execute all required loan documents.

A non-borrowing spouse and a non-titled spouse not being added to title must execute certain documents to evidence that the spouse is relinquishing all rights to the property if so required to perfect the lien under governing law and must also execute a concurrent Quit Claim Deed or Grant Deed.

A non-borrowing spouse can remain on the purchase contract and go on title at the closing of a purchase transaction. Additionally, it is permissible to add a non-borrowing spouse to title on a refinance transaction. A non-borrowing spouse is not required to be on the evidence of insurance or closing protection letter, however, it is acceptable if said non-borrowing spouse is listed these items.

3.17 MORTGAGE BROKER OR EMPLOYEE OF A MORTGAGE BROKER

Acra will fund loans made to self-employed mortgage brokers and their employees or borrower's whose employment / income is affiliated with the residential mortgage industry (i.e.: realtor, loan officer, and account executive). For all such borrowers, the loan packages must be processed by nonaffiliated third-party Mortgage Brokers.

3.18 NUMBER OF LOANS TO ONE BORROWER

Acra limits the number of open loans with the same borrower at any one time to a maximum of four (4) or an aggregate amount of $5,000,000, whichever is less for first mortgages only. If there are more than three (3) loans to one borrower:

- One (1) loan must be on an owner-occupied principal residence. The appraisal may not include comparable sales from other properties owned by the borrower(s).
- Adjoining properties or units in the same condominium complex are limited to a maximum of two (2) loans.
- For multiple investment loans to one borrower, the borrower(s) should have demonstrated a history of successfully owning and managing investment properties at the discretion of the underwriter.

3.19 ROUNDING LTV

The loan-to-value is determined by dividing the loan amount into the property value. For property value determination refer to Property Ownership / Seasoning and Property Value Determination in this section of the guide.

The loan-to-value (LTV) is rounded up to the nearest number:
Example: 73.46% = 74.00%

3.20 PROPERTY OWNERSHIP / SEASONING

Properties that have sold more than once in the previous twelve (12) months must be prudently analyzed for value discrepancies and to ensure the property has not been involved in a "pyramid or flip" scheme. A "pyramid or flip" scheme is initiated in an effort to inflate property values within a certain market area. Examining recent changes to title on the property and information disclosed on the appraisal report may uncover possible "pyramid or flip" schemes.

- Seasoning requirements may apply on purchase or refinance transactions when determining the current value for properties that have experienced the following;
- Recent and / or frequent change(s) of ownership;
- Refinance where the property is not currently vested in the owner's name; or
- Recent property transfer data (i.e.: REO resale data as shown on the appraisal report) that does not support the appraised value.

Generally, an applicant that is added to title via quit claim must be on title for at minimum 90 days before applying for a refinance transaction ~~with case-by-case exceptions for~~unless they were added to title via inheritance, divorce, ~~etcetera~~or similar transaction.

3.21 PROPERTY IMPROVEMENT / SEASONING

If the borrower purchased the subject property less than six (6) months ago, the lower of the purchase price or the appraised value must be used for determining the loan-to-value. The only exception to this determination is when the appraised value is higher than the purchase price and improvements have been made to the subject property. In that case, documentation must be provided by a third-party contractor stipulating what improvements have been done and at what cost. Once itemized, such costs may be added to the purchase price to arrive at a property valuation. In no case can such a value exceed that of the appraised value.

3.26
HUD REO PURCHASE

The following requirements must be met for all HUD REO purchase money loans:

- Complete purchase contact / agreement showing all terms of the sale, (i.e.: down payment, amount of first mortgage and any secondary financing) to ensure the purchase is a typical transaction.
- All required inspections and / or disclosures.
- An independent third-party inspection from a licensed contractor or certified building inspector to determine the interior and exterior condition of the property. This inspection may be waived by Senior Management if the listed repairs are less than the lower of (i) $5,000 or (ii) 2.5% of the reconciled property value.
- Completion of any and all repairs based on the sales contract and / or inspections. A Certificate of Completion (Form 1004D / 442) including photos of all repairs ~~must~~can be ~~completed~~made by the original appraiser or any state licensed appraiser.
- The appraisal report must include interior photos.

3.27
FINANCING CLOSING COSTS

The guidelines for financing closing costs are:

Purchase Money
Closing Costs may not be financed as part of any Purchase Money Financing unless a limited cash-out lease option to purchase meeting the requirements of the appraised value versus the purchase price bring utilized for LTV purposes.

Rate / Term Refinance
Reasonable and customary closing costs (including prepaid items) may be financed, including the maximum incidental cash to the borrower as allowed for the program and / or type of transaction (reference §3.31).

Cash-out Refinance
There is no limit on the amount of closing costs that may be financed as part of a cash-out refinance.

3.28 MAXIMUM CONTRIBUTIONS

Owner~~-~~-Occupied Transactions

~~Limited~~Seller contributions are limited to recurring and / or non-recurring closing costs (“NRCC~~”)~~”) only~~ by seller.~~:

- ≤~~-~~ 80% CLTV ~~max –~~ Maximum contribution: 6.0~~%~~%; and
- ~~>~~ 80% CLTV ~~max –~~ Maximum contribution: 3.0~~%~~%.

Non-~~owner~~Owner Occupied & Second ~~Home~~Homes

~~Limited~~Seller contributions are limited to recurring and NRCC only~~ by seller. Max~~:

- Maximum contribution: 3.0~~%~~%, regardless of LTV.
- Exception: If the seller is a reputable builder, defined as selling at least fifty (50) homes in prior calendar year, the maximum contribution increases to 6.0%.

Non-seller Contributions

Contributions from a real estate agent / broker or mortgage originator may be allowed as long as max percentages above are not exceeded for total contributions paid in behalf of the borrower and dollar amount does not exceed the dollar amount of NRCC’s.

Excessive Contributions

Contributions in excess of the above stated limits are allowable; however, the excess of the contribution(s) must be subtracted from the purchase price for the calculation of LTV / CLTV.

Purchase Contract Assignment Fee

The maximum allowable (or financeable) Purchase Contract Assignment Fee is $10,000. Anything additional can be part of the transaction, but is not available for consideration toward an LTV calculation beyond the initial parties’ contractual purchase price.

Not Allowed

Allowances for any repairs, item replacement, condition of property, or recurring closing incentives are not allowed and must be subtracted from the purchase price for the calculation of LTV / CLTV.

IV. Refinance Transactions

3.29 **Rate / Term**	A rate and term refinance transaction involves the repayment of an existing debt from the proceeds of a new mortgage. A rate and term refinance may include the payoff of: • First mortgage secured by the subject property; • Junior liens secured by the subject property; • Reasonable and customary loan costs / fees; or • Marital settlement buy outs per court decree.
3.30 **Debt Consolidation**	A debt consolidation refinance transaction involves the repayment of an existing debt from the proceeds of a new mortgage. A debt consolidation refinance may include the payoff of: • First mortgage secured by the subject property; • Junior liens secured by the subject property; • Reasonable and customary loan costs / fees; • Controlled payoff of credit cards, installment loans, etcetera, unless stated otherwise for a specific program. The final settlement statement (CD / HUD-1) must show the payoff of credit cards, installment loans, etcetera; or • The transaction would be considered a cash out refinance. See restrictions below.
3.31 **Incidental Cash Out on Rate and Term or Debt Consolidation Refinance Transactions and Delayed Financing**	The borrower may receive incidental cash back up to $1,000.00 or 1.0% of the loan amount, whichever is greater, not to exceed $5,000.00 on rate-and-term refinance transactions. If the final settlement statement (CD / HUD-1) reflects incidental cash back to the borrower exceeding these limits, the loan will be considered cash out. Should, at Closing, excessive cash be calculated as going back to the borrowers, but intention is to maintain classification as a R&T Refinance, cash can be contributed at Closing as a contribution to paying down principal. Maximum amount of principal paydown at Closing is limited to the ~~lessor~~lesser of 2% of the loan amount or $2,500. If there is still too much cash-in-hand, a redraw is appropriate to reduce the loan amount. If the subject has been recently acquired via a non-financed / cash purchase transaction less than 120 days (measured from purchase closing date to application date) then the transaction should not be priced as a "cash-out". LTV tolerance is that of cash-out refinance transaction. The transaction would be considered as delayed finance and the borrower may recoup with cash-in-hand based upon a maximum of the initial purchase price. Delayed financing is available on loan amounts up to $1.5M. Note: The Texas State Constitution has greater limitations for compliance to avoid classification as a Home Equity Loan (reference §3.50).

VI. Occupancy

Underwriter should give due consideration to factors, including but not limited to, other real estate owned by the applicant, commuting distance to work, appraiser comments and notes, the location of the property and any difference between the mailing addresses on supporting documents and the subject property address to evaluate whether the occupancy status of the property as represented by the applicant is reasonable. Acra's security instruments generally state that owner-occupied properties are or will be occupied by the applicant within 60 days after the transaction's close.

3.39 Owner Occupied Principal Residence

An owner occupied property is a one- to four-family dwelling occupied by the borrower(s) as his / her principal residence.

- Borrower occupies the subject as their principal residence. For a purchase transaction Borrower's stated intention to occupy the subject as their principal residence.
- Property location is relatively convenient to borrower's place of employment.
- Property possesses the physical characteristics to accommodate the borrower's immediate dependent family.

3.40 Second / Vacation Home

A second / vacation home is owned and occupied by the borrower for some portion of the year, in addition to their principal residence.

- Timesharing, rental agreement ownership or two- to four-unit properties are NOT eligible as second / vacation homes.
- Treat a second / vacation home the same as an investment property for qualifying purposes.
- Property must be suitable for year-round occupancy.
- Property must not be subject to any rental pools or agreements requiring the rental of the property.
- A management firm does not control property occupancy.
- No more than one (1) second / vacation home per borrower is allowed.

Borrowers purchasing or refinancing a second / vacation home must execute a One- to Four-Family Rider as a part of the loan documents.

3.41 Investment Property (Non-Owner Occupied)

Investment property is a one- to four-unit residential dwelling or a unit in a condominium complex or a PUD owned by an individual who does not occupy the dwelling. The dwelling is leased and occupied as a principal year-round residence to individuals other than the owner.

- Vacant investment properties are not eligible for a refinance transaction~~. On a case-~~ unless approved by~~-case basis~~ Acra senior management ~~will review when supported~~ with supportive evidence of improvement~~ and~~, intent to keep, and previous rent history of the subject property by the borrower.
- Acra limits the number of investment properties a borrower may own including subject to twenty (20) properties, whether mortgaged or not.

All borrowers purchasing or refinancing a one- to four-family investment property must execute a One- to Four-Family Rider with loan documents and provide rent~~-~~loss insurance coverage. ~~If the subject is qualified with the full PITIA payment, then no rent loss~~**Refer to Rent Loss coverage ~~will be required~~requirements at §23.40.

3.49
LEASE OPTION TO PURCHASE

A Lease Option to Purchase is an agreement to lease a property for a specified period of time at an agreed upon monthly rent payment, in which a portion of the payments in excess of the market rents will be applied towards the down payment. Once the potential buyer has satisfied the terms of the down payment, he or she may execute the option to purchase the property at the sales price agreed upon in the Lease Option to Purchase Agreement. This may also be utilized for a "Land Contract" or "Contract for Deed" purchase. All Lease Option to Purchase transactions require the following:

- All parties to the transaction must execute the agreement;
- The agreement must disclose the time period of the option to purchase, amount of the earnest money deposit, and the terms of the monthly rent payments. The terms of the monthly rent payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited towards the down payment via comparison to fair market rents (which requires a 1007 for UW review, reference Section 14.14);
- Proof of the borrower's earnest money via a deposit (canceled check); and
- Copy of canceled checks (front & back) for the monthly rent payment covering the last twelve (12) months.

NOTE: Lease option transactions that do not involve an earnest money deposit or "sweat equity" including receipt(s) for materials and / or monthly rent in excess of proven market rents will not be considered a Lease Option to Purchase and must comply with standard purchase money requirements.

~~A Lease Option will always be a Purchase from the standpoint that the transaction will transfer ownership. This is relevant because it is therefore required to issue a Purchase form LE & CD (versus a Refinance form LE & CD). Despite title or county records in some jurisdictions showing the Leasee / Applicant as "owner", Acra defines ownership as when the purchase contract is fully performed and concluded.~~

~~However, in deference to the Purchase Price, as a separate calculation for the handling of LTV, under certain circumstances as defined below, Acra will calculate the LTV using the current reconciled market value in lieu of the purchase price.~~

~~The value for determining the loan-to-value ratio will be the PURCHASE PRICE reflected on the option agreement or the appraised value, whichever is less, if:~~

- ~~The borrower's earnest money deposit is less than three percent (3.0%) of the sales price; OR~~
- ~~The Lease Option Agreement is executed within the last twelve (12) months.~~

~~The value for determining the loan-to-value ratio will be the current reconciled MARKET VALUE, if:~~

- ~~The borrower(s) has(have) occupied the subject property for the last twelve (12) months; AND~~
- ~~The Lease Option Agreement is executed greater than twelve (12) months ago; AND~~
- ~~The borrower(s) has equal to or greater than three percent (3.0%) of the sales price invested by:~~
  - ~~Earnest Money Deposit; OR~~
  - ~~The Optionee provided "sweat equity" in the form of property improvements with receipts for materials as well as a detailed list of all such improvements including time to completion.~~

Recorded lease options or land contracts may be treated as refinances and valued based on the current appraised value subject to the following restrictions:

- The lease option or land contract must be seasoned at least 12 months. Transactions seasoned less than 12 months will be treated as purchases.
- The lease option or land contract must be recorded on title. If not recorded on title, verification of the original down payment will be required.
- The transaction may only be done as a rate / term refinance, cash-out is not allowed.

Acra will consider a Lease Option for properties that are not the borrower's primary residence ~~on a case-by-case basis~~at a maximum 70% LTV with proof of payment on the subject property via 12 months cancelled checks, and must qualify on DTI with a ratio of no more than 43%. If the property is an investment property, then proof of rent received for the previous 12 months is also required.

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- Transaction Type:
  - Rate / Term Refinance Only; The payment of delinquent property taxes on the subject property is permitted under Texas Constitution Article XVI 50(a)(2);
- Maximum LTV / CLTV:
  - 80.0%;
- No subordinate financing;
- Points / Fees:
  - Must conform Acra Lending fee guidelines;
- Acra's minimum loan amount is $100,000.00;
- Acra's maximum loan amount is $1,500,000.00;
- Texas 50(f)(2) loans cannot close before the closing anniversary date of an existing Texas 50(a)(6) or 50(f)(2) loan being refinanced;
- Products available are any of Acra's 30-year fixed, 5/1 ARM, or 7/1 ARM; however, loans must be fully amortizing as interest-only is not allowed;
- Eligible properties include:
  - Single Family Residence (Attached / Detached);
  - Condos;
  - Planned Unit Development (Attached / Detached);
  - Modular Homes; and
  - Manufactured Homes (must be classified as real property);
- Ineligible Properties include:
  - 2-4 unit properties;
  - 1-unit property with an Accessory Dwelling Unit (ADU);
  - Condotels;
  - Short-Term Rentals;
  - Properties with two (2) or more kitchens; and
  - Properties greater than ten (10) acres;
- Eligible Borrowers include:
  - US Citizens; and
  - Permanent Resident Aliens;
- Cash-Out Amount:
  - Borrower may not receive any cash-in-hand, nor may any non-titled liens or consumer debt be paid. Any excess cash once all lien payoffs and fees have been paid may be applied to the loan as a principal curtailment to meet the no cash-in-hand requirement;
- Required Documentation:
  - 12-day notice to be sent at initial disclosures and / or provided by broker (must be signed by borrower(s)); and
- Signing Must take place at Title's Office, the Attorney Office, or the Lender's Office;
- Signing via a Power of Attorney is prohibited;
- Waiver of Time:
  - The CD Waiting Period and / or Three-Day Right of Rescission cannot be waived under any circumstance; and
- Miscellaneous:
  - Except as specified above, loan should conform to Acra Lending guidelines.

SECTION 4 – CREDIT

4.1 CREDIT REPORT REQUIREMENTS

Acra requires a three-bureau in-file report for each individual loan applicant obligated for repayment of the loan. Each report should comply with the following:

- The credit bureaus utilized in generating borrowers' credit reports comply with the Fair Credit Reporting Act.
- Appropriate authorization from the Borrower(s) is required prior to obtaining credit. (Refer to Credit Authorization on the following page.)
- Credit supplements must be included in and made a part of the report.
- Historical status for all account / ratings (i.e., R-1, I-2, ~~etc.,~~etcetera, are acceptable if the meaning is clarified on the report; vague comment such as "satisfactory", "as agree," etcetera, are not acceptable. (0x30, 0x60, 0x90 is the preferred format).
- Reports should be numbered or have a beginning and ending statement.
- NOTE: If any bureau is reporting as "frozen", file cannot proceed until the freeze is lifted.

4.2 CREDIT REPORTING BUREAUS

Each credit report must utilize three (3) credit reporting bureaus and credit scores provided by the following bureaus:

Credit Reporting Bureau	Credit Score
Equifax	Beacon 5.0
Experian	FICO (V2)
TransUnion	FICO RISK SCORE CLASSIC 04

4.3 CONSUMER DEBT NOT REPORTED

Consumer debt claimed by the applicant but not reported on the credit bureau are to be included in the debt-to-income ratio.

4.4 CREDIT HISTORY

Acra defines credit history as the record of the borrower's payment of credit and voluntary obligations. The credit history is measured on the credit depth, number of obligations, and the demonstrated intent to repay. A borrower with a past history of consistently meeting financial obligations provides reasonable justification that he / she is likely to continue to do so in the future.

I. CONSUMER CREDIT DELINQUENCY

4.7 COLLECTIONS, CHARGE OFFS, AND REPOSSESSIONS

Collections and charge offs may remain unpaid subject to the following circumstances:

- Medical; or
- Two (2) years or more since the date of last activity; or
- When credit report references an original creditor that differs from the current collection agency, the date last active on that original account reflects a date greater than two (2) years ago.

The earliest reporting date last active for the collection debt, on either an Acra or broker's credit report, will be used to determine the age of the collection account in question, if Acra determines the broker's credit report to be acceptable.

If the applicant and creditor have worked out a payment plan, the account may be added to the DTI and will not be required to be paid off. Payment plan should have been seasoned for a minimum of three (3) months with timely payments confirmed to have been made by creditor / credit supplement / cancelled checks.

Student loans may go into collection, but they do not become uncollectable nor written off. Student debt may remain unpaid consistent with this section and §6.10.

4.8 JUDGMENTS, TAX LIENS, LIENS, AND DELINQUENT CHILD SUPPORT

Purchase, Rate / Term Refinance, Debt Consolidation Refinance, and Cash Out Refinance Transactions:

- Pay all judgments / liens. ~~On a case-by-case basis subject to Senior Management review, Judgements reported on credit may not have to be paid off if they do not appear on title.~~
  - Judgements reported on credit may remain unpaid if they do not appear on title, are less than $5,000, and the LTV is less than or equal to 70%. There must be a written payment agreement at least 90 days old at time of application and proof must be provided that three (3) consecutive monthly payments have been made timely.
- Pay any tax lien(s).
- Pay any delinquent child support.

NOTE: Purchase transactions: all items must be paid with borrower's own funds.

If the Applicant is on a payment plan to settle the tax lien(s), the payoff of the plan will be required unless the borrower does not have the funds. Subject to Acra Senior Management approval: If the Applicant does not have the funds to close, the entity who provided the payment plan (IRS, Franchise Tax Board, etcetera) must subordinate their lien(s) to Acra and the payment plan amount will be included in the DTI. Payment plan should have been seasoned for a minimum of three (3) months with timely payments confirmed to have been made by creditor / credit supplement / cancelled checks. ~~Subordinating an IRS lien may be allowable with Acra Senior Management approval on a case-by-case basis.~~Subordinating an IRS lien is allowable when proof that three (3) consecutive monthly payments have been timely made according to a written agreement with the IRS, and the subordinating lien meets CLTV restrictions. The written agreement with the IRS should be at least 90 days old at the time of application.

III. MORTGAGE / RENTAL RATING

4.15 DETERMINING MORTGAGE / RENTAL RATING	The mortgage / rental rating for determining the mortgage pricing is determined by evaluating the ratings for properties that the borrower owns and / or rents over the last twelve (12) months. All reported mortgages on credit should be considered. In the event the Applicant has mortgages that are not reported, file should otherwise contain documentation to evaluate history on: • The Applicant's / Applicants' primary residence(s); • Any and all of Applicant's / Applicants' secondary residence(s); and • The Subject property. Loans that have matured will be rated based on the maturity date of the loan. Any extensions of the maturity date must be in writing. File should also document the above property(ies) plus all other property(ies) owned by the Applicant(s) with a public record search (i.e.: SiteX or similar product) to establish there is not foreclosure action.
4.16 ABSENCE OF MORTGAGE / RENTAL HISTORY	In the absence of a mortgage / rental rating covering the last twelve (12) months, the loan will be considered ~~on a case-by-case basis~~at 70% LTV, provided that all other lending guidelines have been met. Consideration is automatically given to borrowers who currently own a home free-and-clear~~ or are living rent free~~. Does not apply to One Score / No Score / No Depth or First Time Home Buyers.
4.17 PROPERTIES OWNED FREE & CLEAR	In the absence of a mortgage / rental rating on subject properties owned free and clear, a chain of title covering the last twelve (12) months must be obtained and reviewed by the underwriter for property flipping and / or suspicious or conflicting property transfers. **Refer to §6.8 for additional detail.
4.18 PRIVATE PARTY / NON-INSTITUTIONAL LENDER	Unless serviced by an identifiable third party (determined in Acra's sole discretion), a mortgage rating for a lien owned by private party or non-institutional lender will require a mortgage history to be documented with twelve (12) months cancelled checks (front and back) or, if paid by cashiers or postal checks copies of the past twelve (12) months. A VOM from a Private Party may be accepted for non-subject property(ies).

IV. Mortgage / Rent Delinquency

4.21 Rolling Delinquency	Rolling delinquencies are considered for 30 days late up to six (6) lates are one (1) event. Above thirty (30) days late, each late is an event.
4.22 Forbearance / Modification Agreement	Acra ~~Senior Management~~ will ~~review unique or~~allow loans with recent forbearance ~~circumstance~~ or modifications. See Program Summaries for ~~case-by-case consideration for appropriate qualification,~~ lending and / or LTV ~~limitation, and special pricing~~restrictions.

4.23
FORECLOSURES

A foreclosure is a proceeding by which the creditor, pursuant to the terms of the trust deed or mortgage, may cause the sale of the collateral property in full or partial satisfaction of the debt. Such action typically extinguishes all rights, title, and interest of the owner of the property.

Any real estate loan more than 120-days delinquent will be considered "in foreclosure" unless performing under a written forbearance or modification agreement.

Foreclosures on investment properties, other than the subject property will be considered the only mortgage if there is no mortgage on the borrower's principal residence. In such cases, the mortgage rating on the investment property is considered the mortgage rating and used for determining the borrower's pricing grade.

The look back period for foreclosure is based on the following:

- The date a foreclosure action or forbearance is cured, or
- The applicant is no longer reported 120 days delinquent, or
- The property was sold at a foreclosure sale.

A borrower with two (2) or more unrelated foreclosures within the last 36 months will be eligible for ~~any~~an Acra loan ~~on a case-by-case basis~~ but in no event exceed a 65% maximum LTV and documented evidence that the circumstances leading to the foreclosures were a one-time event.

Two (2) or more foreclosures resulting from separate circumstances or occurring several months apart will be considered unrelated foreclosures. The underwriter must prudently analyze related foreclosures, to ensure the reason for defaulting on the mortgages were due to extenuating circumstances beyond the borrower's control and such circumstances are resolved and not likely to recur. If the underwriter determines that foreclosures were related, support documentation must be obtained and included in the loan file.

In some events, an existing second trust deed may stop collection efforts or was previously included in a bankruptcy; however, the lien may still exist on title. ~~Acra senior management may review for case-by-case consideration for appropriate income qualification type, LTV limitation, and / or special pricing.~~Acra will consider these loans, but will treat the charge-off date or last activity date of the loan as a foreclosure event.

4.24
SHORT SALES

A short sale is a proceeding whereby a lender allows the current owner of a property to sell that property with that lender accepting a payoff for less than the current unpaid mortgage balance.

4.25
DEED-IN-LIEU ("DIL")

A Deed-in-Lieu ("DIL") of Foreclosure is a proceeding whereby a lender accepts a forfeited title from the current owner in lieu of foreclosure. The unpaid principal balance is typically forgiven once the lender takes title.

4.26
DELINQUENT PROPERTY TAXES

Delinquent property taxes are not considered in the mortgage rating. All tax and insurance payments will be impounded for future payments ~~unless waived by Senior Management on a case-by-case basis~~.

SECTION 5 – INCOME / EMPLOYMENT

I. GENERAL REQUIREMENTS

5.1 CONTINUANCE OF INCOME AND EMPLOYMENT HISTORY	All borrowers should have a two-year (2-year) history of receiving stable income from employment or from other sources such as ~~alimony~~, child support, retirement, and pension. Any source of income that is not verifiable is not an acceptable source of income. There must be a reasonable expectation that the income will continue in the foreseeable future, and such income is sufficient for repaying the proposed monthly debts. Borrowers with employment histories that do not meet the length of employment required must provide a Letter of Explanation as to their individual situation. The underwriter must then determine the probable stability and continuance of employment. The potential for future income can have a positive influence for borrowers who have recently entered or been absent from the job market for a period of time.

5.2
ASSET DEPLETION

ATR-IN-FULL

Borrowers with verifiable liquid assets may use those assets to qualify. Viable assets upon any reductions will be divided by sixty (60) months for the calculated qualifying monthly income.

If funds are held in a retirement account (including but not limited to 401(k), Roth IRA, etcetera), where liquidation would cause a potential taxable event. A reduction to the cash value is appropriate for the calculation based on the Applicant's age at time of Closing:

Applicant's Age	Percentage Utilized
≥59.5	60%
<59.5	50%

In the event that the borrower has sufficient liquid assets to pay off the loan in full (branded: Acra's "ATR-in-Full" or "AiF" program), Acra would consider this asset source as fulfilling the DTI / Residual income prong of the ATR test. In that event, Sections for Maximum DTI and Residual Income will not apply.

Borrower will need to provide most recent two (2) months assets statements for qualification. Underwriting should consider the minimum amount of funds in the account versus the amount needed for qualification and if the account is being otherwise depleted. Any current depletion that exceeds the average calculated monthly asset-depletion income or ATR-in-Full balance would not be acceptable.

Funds used for Asset Depletion and ATR-in-Full cannot be used for transaction's reserve requirement.

Generally, the Assets referenced in this subsection must be sourced as liquid assets and personally held (versus held in a business account). However, in the event that the Applicant transaction is "delayed financing", the funds being recouped via the transaction may also be utilized for qualification under this subsection when the funds were sourced and seasoned for not less than 90 days prior to the initial purchase of the subject and those assets otherwise qualify as liquid assets under this subsection.

Acra defines "delayed financing" as the purchase of a property for 100% cash and apply, within 120 days following the purchase, to retrieve a portion of that cash used in the purchase.

5.3
EMPLOYMENT STABILITY

Employment across different jobs in the same or related line of work is acceptable. Borrowers who change jobs frequently to advance within the same line of work and are successful in that work will receive favorable consideration. Such borrowers should not be penalized for frequent changes in jobs if they have maintained income continuity despite the changes.

5.4
EMPLOYMENT GAPS

The borrower must explain any employment gaps that extend beyond sixty (60) days.

5.5
VERIFICATION OF PREVIOUS EMPLOYMENT

If the borrower(s) present employment does not cover the length of employment required for the documentation program, verification of their previous employment may be required.

5.27 TWELVE OR TWENTY-FOUR (12 OR 24) MONTH BANK STATEMENT PROGRAM

SELF-EMPLOYED ONLY (MUST BE ABLE TO VERIFY SELF-EMPLOYMENT)

1. As prescribed by the program, the latest month's personal or business bank statements with all pages is required for all months. Use of up to three (3) accounts' statements is acceptable on a consecutive and sequential basis. A borrower may not transition from one account to another and then revert back to the original or previous account statement(s).
2. Income is determined by using the gross monthly amount of deposits. Where appropriate for the manner of business, transfers into the account are also acceptable for qualification where not circular in nature.
3. Max six (6) NSF checks in the last twelve (12) months. Loans are not subject to the max number of NSF checks requirement when they are ~~(a) (~~i) 80% or below LTV and (ii) have a loan amount of $1,500,000 and below~~ or (b) are approved on a case-by-case by Senior Management~~.
4. Acceptable documentation supporting the existence of the business for the most recent two (2) years must be obtained. (Refer to the *Acceptable Evidence of Self-Employed Business*).
5. If business bank statements are provided, (including personal bank statements used as a business account), use a maximum of 50%* of the deposits as qualifying income. ~~On a case-by-case basis, ~~Acra will consider accounts from ~~multiple~~up to three (3) autonomous businesses owned by Borrower(s). Acra will review the business bank statements and may reduce the income if they feel necessary due to expenses of the company. The qualifying income will be further reduced by multiplying the deposits by the percentage of ownership by the applicant(s). The minimum allowable percentage of ownership is 25% per applicant utilizing the account.
6. If personal statements are provided, Acra will use 100% of the deposits as qualifying income. If it is determined that the personal bank statements are being used as a business account for a sole proprietor business type, then Acra will treat as a business account and a maximum of 50%* of the deposits will be used as qualifying income. Acra underwriters should take care to consider the type of business and appropriate haircut to deposits when in their discretion the business has a limited overhead (i.e.: a 1099 employee). If both business and personal statements are provided, Acra will use personal bank statements for income review.
7. An LOE from the borrower is required explaining their business name, what their business does, the number of employees, how it is set up (Incorporated, LLC, Sole Proprietor, etcetera). If the information for the above items is already located in another part of the file, the LOE does not need to explicitly confirm it.
8. A personal account with multiple owners listed at any point in the qualifying timeline of utilized statements must all be on the loan application regardless of individual contributions to the deposits / qualifying income. Limited~~ case-by-case~~ exceptions for account holders to not be on the loan are account holders listed as "Payable On Death" or similar "in trust" (not to be confused with a Trust Account) designations for successor ownership. A business account with multiple owners on the statement does not require all owners to be applicants for the loan.
9. When utilizing the 24-month variant of this program, Acra will consider declining income by qualifying at the ~~lessor~~lesser of the last 24-months or 12-month documented period.

* A business expense haircut under 50% may be considered by Underwriter when validated by (i) a CPA or Tax Preparer Letter that directly states the experienced overhead for Applicant's business AND (ii) ***Underwriter, in their sole discretion, finds that ratio to be consistent with the Applicant's***

industry. However, in no instance would Acra consider a ratio of less than a 10% overhead factor to business statements.

** When using business bank statements to qualify, all debts on credit must be added to DTI regardless of if the business is paying the debt from the same account used to qualify. (Reference § 6.4.)

5.28 1099 ONLY AND PROFIT & LOSS (P&L) PROGRAMS

The 1099 Only and P&L Programs will be documented by and limited to:

- Self Employed Borrowers (~~ one year (1~~two (2) year) history required by (i) CPA or Tax Preparer's Letter or (ii) Business License);
- Owner Occupied, Second Home, and Non-Owner Occupied transactions;
- First Time Home Buyers are acceptable limited to FTHB guidelines;
- Borrowers without a recent mortgage may be considered at reduced LTV;
- No rural properties; and
- Such other factors as provided on the Program specific Rate Matrix.

Specific to the 1099 Only Program:

- Applicant to provide:
  - IRS Form(s) 1099 to document prior one (1) year income; and
  - Bank Statements for the most recent 60 days to document current year to date, which should show gross deposits consistent with the 1099s; and
- Underwriter will calculate income by determining if there is an overhead to the business in a manner consistent with reviewing personal versus business bank statements. If the Applicant's business revenue reflected on the 1099 would have measurable expenses to generate a net income, a 50% haircut would apply. A business expense haircut under 50% may be considered by Underwriter when validated by (i) a CPA or Tax Preparer's Letter that directly states the experienced overhead for Applicant's business AND (ii) Underwriter, in their sole discretion, finds that ratio to be consistent with the Applicant's industry.

Specific to the P&L Program:

- Applicant will provide:
  - A "third-party" prepared profit and loss statement for their self-employed business(es) on the preparer's letterhead;
    - Statement from preparer that they have prepared or reviewed the corresponding tax returns for the covered period;
    - "Third Party" to be an appropriately licensed CPA or Tax Preparer; and
    - In no event can the preparer be an employee of the Applicant or their business;
- P&L Statement should cover the current rolling 12 month period;
- P&L Statement to be signed by "third-party" preparer;
- Bank Statements for the last three (3) months overlap of the P&L need to be provided for LTVs > 70% OR FICO < 700. Average qualifying deposits on these bank statements should be consistent to (i.e.: within 90% of) the Revenue on the P&L;
- Underwriter will calculate qualifying income by dividing net profit by the number of months in the covered period (subject to ownership percentage); and
- Property management groups / owners must provide lease agreements to validate the P&L.

V. Income Documentation Chart – Wage Earner, Fixed Income, & Other Sources

Source of Income	Receipt History	Continuation Period	Required Verification	Calculation Method
Alimony / Child Support	Last Three (3) Months	Child Support: Two (2) Years Alimony: Three (3) Years	• Divorce decree or legally binding separation agreement (signed by the courts) specifying the duration of payments no less than three (3) years remaining and amount of the monthly payments; AND • Three (3) months canceled checks; OR • Three (3) months personal bank statements; OR • Three (3) months court payment records.	Use verified monthly income for qualifying. Child Support to be grossed up by 25% of deposit.
Asset Depletion	Not Applicable	Not Applicable	• Copy of most recent statements with amount available and Current Yield or HUD-1 if Loan Proceeds are to be used.	Divide asset amount by 60 and add the result to qualifying income. Note: Funds used for asset depletion may not be used as reserves.
Auto Allowance	Two (2) Years	Likely to Continue	• Letter from employer describing amount and frequency of distribution, and a current pay stub reflecting receipt of monthly allowance for auto loan payments.	After excluding the Applicant's auto payment(s) as a liability within the DTI, only the portion of the auto allowance that exceeds the monthly auto loan payment can be included as income.
Bonus, Overtime, Shift Differential	Two (2) Years	Likely to Continue	• VOE verifying earnings for most recent two (2) years & current year-to-date earnings & statement that income source is likely to continue & current pay stub; OR • Statement from employer indicating the income source is likely to continue & W-2 for most recent one (1) or two (2) years & current pay stub reflecting year-to-date earnings.	Applicant must have history of receiving income for the last year and the trend must be stable or increasing. Income calculation: Average of earnings from most recent year and year-to-date.

5.38
CORPORATION

A corporation is a state-chartered business that is owned by stockholders. A stockholder is not personally liable for the debts of the corporation. Although legal control of the corporation rests with its stockholders, they are not responsible for the day-to-day operations of the business since they delegate that responsibility to a board of directors and officers of the company. Corporations must file corporate tax returns to report their income and losses. Income to the officers is folded into each officer's individual tax return.

5.39
LENGTH OF SELF-EMPLOYMENT

Income from a self-employed borrower generally requires two (2) or more years to be considered stable income. A person who has been self--employed for less than one (1) year should have a history of previous successful employment in the same occupation or a related field. The underwriting process must carefully analyze the following factors on a self-employed borrower:

- Borrower's training and experience;
- Location and nature of the business; and
- Demand for that type of business in the area.

A borrower who has been self-employed for less than one (1) year may be considered ~~on a case-by-case basis~~ subject to the following:

1. Self-employment must be in the same line of work as previous employment; and
2. One (1) full year of income verified / documented with one (1) year of federal income tax returns and a current profit and loss statement.

IX. ACCEPTABLE EVIDENCE OF SELF-EMPLOYED BUSINESS

Documentation to support the borrower's self-employment in a legitimate and active business covering the most recent two (2) years, as of the application date, must be obtained on income documentation programs that are less than Full Doc (i.e.: Alt Doc). Acra will accept the items listed below to support the borrower's self-employed business.

One (1) item from the following list may be used for verification of a current and active business.

1. Copy of the business license covering the current business year as of the date of the application. A vocational or occupational license (e.g. as a non-exhaustive list: cosmetology, server permit, medical licensing, real estate, etcetera) is not independently evidence of self-employment.
2. Copy of the Articles of Incorporation, Operating Agreement, or Partnership Agreement with recorded filing date.
3. CPA or Tax Preparer's Letter:
   - Letter must be on tax preparer's letterhead;
   - Tax preparer's license verification, from municipal, state or federal licensing boards or proof of their business' existence; and
   - Signed letter from the borrower's ~~tax preparer~~CPA or Tax Preparer explaining:
     (i) ~~tax preparer's~~CPA or Tax Preparer's relationship to the business;
     (ii) personal knowledge of the length of time the business has been in existence; and
     (iii) percentage of borrower's ownership in the business entity.
4. One (1) year of business tax returns in the form of 1065, 1120 or 1120S and corresponding Schedule K1 (if applicable).
5. One (1) year of business tax returns in the form of 1040 and corresponding Schedule C.

6.5 INSTALLMENT ACCOUNTS

Monthly payments on installment debts* extending beyond ten (10) months are included in the borrower's debt-to-income ratio. The required monthly payment reflected on the most recent statement may be used instead of the payment reflected on the credit report.

A transaction should pay off (versus pay down) a liability~~, unless there are insufficient funds, at which point Senior Management may consider under case-by-case~~.

*Auto lease contracts provide the consumer with an option to either purchase the automobile or return it to the dealer at the end of the lease contract. Regardless of the two options, it is likely the consumer will secure new financing for another automobile once the lease expires. Therefore, monthly auto lease payments are included in the borrower's debt-to-income ratio regardless of the number of payments remaining on the lease contract. If no payment info is shown on the credit report, the calculation of the monthly payment will be 2% of the higher of the current unpaid balance or the high credit limit.

6.6 LINES OF CREDIT

Monthly payments must be calculated on revolving lines of credit and included in the applicant's debt-to-income ratio. The monthly payment is determined based on the present outstanding balance.

Open Charge Cards that require the full balance to be paid monthly (commonly American Express Credit Cards) require evidence that the borrower has (a) funds to pay the total balance or (b) a minimum payment to be applied for debt servicing of 5% of the balance.

6.7 MORTGAGE PAYMENTS FOR RENTAL PROPERTIES

The monthly mortgage payments must be satisfactorily documented on all rental properties owned by the borrower, if not reported on the credit report.

Property Taxes, Insurance, and HOA Fees for Rental Properties Owned by the Borrower.

The monthly payments for taxes, insurance, and Homeowner's Association (HOA) fees (if applicable) will be taken from the Schedule of Real Estate. If the Schedule of Real Estate is incomplete or blank, the borrower must provide satisfactory documentation verifying the amount of the monthly payments.

If the monthly payments for taxes and insurance are impounded, the borrower must provide satisfactory documentation verifying an impound account.

6.8 PROPERTY OWNED FREE AND CLEAR

A subject property that is owned free and clear requires proof that the property is free and clear of all mortgage liens.

A chain of title covering the last twelve (12) months must be obtained and reviewed by the underwriter for property flipping and / or suspicious or conflicting property transfers.

Any property on the REO section of the 1003 that is shown to be owned free and clear (zero balance mortgage) must be unencumbered and corroborated with the credit report to show no additional open mortgage account(s).

***Refer to §4.17 for additional detail.*

8.7
GIFT FUNDS

Gift funds from a family member to assist with the costs to close are permitted on purchase money transactions for any type of occupancy – subject to specified limits.

Acceptable Donors may include:

- Family members (i.e.: spouse, any type of domestic partnership or union, fiancée, boyfriend / girlfriend, parent, brother, sister, child, grandparent, aunt, uncle, nephew, niece); or
- Non-profit organizations when given pursuant to an established program ~~(case-by-case, ~~and program funds do not originate from the seller or any other interested party to the transaction (require corporate underwriting approval).

Limitations to gift funds:

- Primary Residence – No limit to amount of transaction; or
- Investment Property or Second Homes – Applicant(s) will be required to contribute a portion of their own sourced and seasoned funds to the transaction at a minimum of 10% of the purchase price.

GIFT LETTER – required on all Gifts and must include:

1. Reflect the borrower's name;
2. Reflect the Donor's name, address and phone number;
3. Reflect the Donor's relationship to the borrower;
4. Disclose the source of the gift funds (i.e.: name of depository institution, account number);
5. Indicated the dollar amount of the gift;
6. Include a statement that the person receiving the gift (i.e.: borrower) is not obligated to repay the dollar amount of the gift;
7. Include a statement: "The funds given to <enter borrower(s) name(s)> were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them."; and
8. Signed and dated by the Donor and Borrower(s).

Receipt of Gift Funds
Evidence (a) that the gift funds have been transferred from the donor's account to the borrower and (b) that the gift funds came from an acceptable source, must be documented in the file. Acceptable evidence may include:

- Copy of the wire receipt from the donor's account into the borrower's account; OR
- Copy of the certified check from the donor to the borrower; OR
- If the gift funds were deposited directly in escrow, a copy of the check with a certified escrow deposit or wire receipt showing funds were from the donor's account is required; OR
- If the gift funds were deposited directly to the borrower's bank account, a complete bank statement showing the deposited amount and date of deposit with ability to tie the relevant deposit(s) to the Donor.

The documentation evidencing the transfer of funds must match the information on the gift letter (i.e.: the remitter's name (donor), borrower's name, dollar amount, date, name of the depository institution, and account number.

If the documentation for receipt of gift funds does not provide sufficient proof they came from the donor's account, the donor must provide account statements covering the most recent two (2) months to establish his or her ability to provide the gift. In addition, the donor's funds must be seasoned a minimum of 60 days

8.19 BUSINESS DEPOSIT ACCOUNTS	Borrower must own the business contributing the closing funds. Verification of business deposit accounts such as checking, savings, certificate of deposit, and money market accounts must include the following documentation: • Copy of the borrower's ~~two (2) most recent bank statements for Owner Occupied and Second Homes OR~~ one (1) most recent bank statement ~~for Business Purpose loans – the account~~(s) in which the funds for the down payment are to be withdrawn~~;~~ AND • ~~Handwritten~~ handwritten Letter of Explanation executed by the majority of the business' ownership describing the potential impact on the business if business funds are used for closing. • For DSCR transactions where business funds are being used to close, if borrower is not 100% owner of the business from which the funds are being used, LOE required from other business owners that they approve of use of those business funds.
8.20 CRYPTO-CURRENCIES	Bitcoin and Ethereum are able to be used as reserve funds provided the following restrictions: • The funds must be held in a custodian account such as Coinbase, Robin Hood, or a brokerage account; AND • The periodic statement must clearly show the Borrower(s) as account holder(s). Only 50% of the value of the crypto-currency will be utilized for qualification.
8.~~20~~21 UNACCEPTABLE ASSETS / FUNDS	Unacceptable sources of funds include, but are not limited to: • Credit card advances & any unsecured loan; • Sweat Equity – a contribution to the construction or rehabilitation of a property in the form of labor or services instead of cash; or • Trade Equity (excluding 1031 Exchange).
8.~~21~~22 CONCURRENT REFINANCE TO PURCHASE TRANSACTIONS	Funds derived from an Acra refinance transaction that are being utilized as Funds to Close in a concurrent Acra purchase transaction are acceptable. Where both transactions will be conducted as Owner Occupied for disclosure purposes, a limit of 75% LTV / CLTV for both transactions is required.

8.~~22~~23
RESERVE FUNDS

When required under a specific program, Acra may require documentation of a Borrower's capital as calculated to be in reserve after the close of the subject transaction.

Reserves are calculated against the monthly payment for the new Acra loan as of the first scheduled monthly payment.

Documentation of Reserve amounts should show the dollar amount at or above the required amount of reserves to be in the Applicant's accounts for a period of at least ~~60~~30 days. Reserves from a departure property (or an owned asset) can be converted to liquid assets and do not need to be seasoned, so long as that asset was owned for greater than ~~60~~ 30 days.

Cash-in-hand from a cash out refinance may be used toward reserves.

Unacceptable sources of funds include, but are not limited to:
- Credit card advances & any unsecured loan;
- Non-liquid funds, real-estate, or other assets;
- Cyber-currency(ies) (aka "Crypto-currency(ies)); unless liquidated and traced to borrower consistent with §8.4 of this Guide~~;~~ or meet §8.20 of this Guide;
- Funds held in a business or trust name*; and / or
- Gift Funds.

*Funds held in a business or trust name are acceptable if the borrower(s) represent 100% ownership or are the exclusive trustee(s) / beneficiary(ies).

Please note that the Senior Management of Acra Lending maintains discretion for interpretation or definition of any item or situation that is not explicitly addressed in the guidelines.

SECTION 9 – PROPERTY ELIGIBILITY

Acra Lending funds loans on a variety of property types in urban, suburban, or rural areas. Acra does not reject loans solely on the basis of age of the property, square footage, number of bedrooms, the location of the property, or the ethnic composition of a neighborhood.

9.1 Eligible Property Types

Eligible property types include properties as listed below that are situated on fee simple or real property with a ground lease (refer to Ground Lease requirements later in this section):

- Single Family Residences (attached / detached) including manufactured or modular homes;
- Condominiums (attached / detached) (low-rise / high-rise);
- Non-Warrantable Condos;
- Condotels;
- PUDtels;
- Townhomes (attached / detached);
- Planned Unit Developments – PUD (attached / detached); and
- Two-to-four (2-4) units.

These property types are ineligible in the Non-Prime program, but may be eligible under other Acra programs:

- ~~Multi-Family (5 - 100 units);~~
- ~~Assisted Living Facilities / Adult Care Facilities;~~
- Residential Use with Commercial Influence (Mixed Use);
- Hotel / Motel / Rooming House;
- ~~Strip Mall;~~
- Single-tenant Retail / Office;
- Multi-tenant Retail / Office;
- Hospitality;
- ~~Storage Facility;~~
- School / Daycare; or
- Properties listed for sale within the last six (6) months (refinance transactions).

9.2 INELIGIBLE PROPERTY TYPES

Certain property types are not considered to be acceptable collateral in any Acra programs:

- Agricultural use properties (crops, lumber, animals of any kind);
- ~~Assisted Living Facilities / Adult Care Facilities;~~
- Barndominiums;
- Closing as Leaseholds ;
- Cooperatives, sometimes referred to as an "Owners Proprietary Lease";
- Earth berm Homes, Geodesic Domes;
- Economic life of property is less than term of the loan;
- Highly Unique Properties;
- Illegal use of property – Zoning or building code violations;
- Industrial Properties;
- Hawaii Lava Zones 1 or 2;
- ~~Leaseholds ;~~
- Log Cabins;
- Mobile Homes;
- Mobile Home Parks or Converted Mobile Home Parks;
- Manufactured Homes of a "single-wide" variety or constructed prior to June 15, 1976;
- Own-Your-Own Apartments;
- Pole Building Construction;
- Properties in less than average condition;
- Properties with no permanent heat source (except for areas where not required by code);
- Properties that are not suitable for year-round use;
- Properties zoned: industrial, manufacturing, ~~exclusive farm use (EFU),~~ forest commercial (FC);
- Properties located on a Native American (formerly "Indian") Reservation;
- Properties with interim use or properties reported to have a different highest and best use than the present use;
- ~~Properties in areas built up "under 25%";~~
- Properties with deferred maintenance, deterioration, or structural damage that may seriously affect the structural integrity or pose a health and safety hazard to the occupant(s). Properties that are condemned or deemed uninhabitable by local municipalities. Properties displaying significant disrepair that it is prohibitive and not feasible to restore the structure to a habitable condition;
- Refinance of vacant properties;
- Timeshares;
- Vacant land; and / or
- Working Farms or Ranches (crops, cattle, horse, dairy, etcetera).

SECTION 10 – PROPERTY DESCRIPTIONS

10.1 CONDOMINIUM OR CONDOTEL

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

A condotel project is located in a resort area with a rental management company that provides occupancy on an interim basis (daily, weekly, etcetera). Condotel projects located in bonafide resort areas are exempt from the occupancy requirements. Other locations where short-term residency is prevalent or practical (i.e.: near a military base) would be considered ~~on a case-by-case basis~~.

Due to the concentration of loans that have been financed by Acra, for all loans located in The Grove Resort and Waterpark condominium complex in Orlando, Florida, Acra will apply a rate adjustment and limit available LTV / CLTV for any loan financed to 60%.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

Acra will not lend on more than 20% of the units in a condominium project.

Appraisal must clearly indicate that no personal property (artwork, furnishings, etcetera) is included in the valuation. If not, Acra reserves the right to reduce the value by a factor of 15%.

10.2 CONDOMINIUM ELIGIBILITY REQUIREMENTS

All Condominium Projects must meet the following criteria:

- The maximum number of total units in the project owned by the same entity or individual may not exceed 30%; and
- All common areas and facilities must be complete.

A. Condominium – Established Projects
- 90% of the total units in the project must be sold and conveyed to the unit owners.
- Investment transactions require 50% of the total units to be owner occupied. Primary and Second Home transactions do not have this requirement.
- Complex can have no more than 15% of the units' HOA dues delinquent by 60 days or greater.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

B. Condominium – Newer Projects
- 60% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 60% of the units must be owner occupied.
- Project may be subject to additional phasing.
- HOA should be in control – project under Developer or Builder control will be considered ~~on a case-by-case basis only~~when at least 50% of the units have been sold and the Developer or Builder can demonstrate future marketability by detailing units listed for sale, units under contract, and anticipated closing date of units under contract.
- Comparable sales must include at a minimum:
  - One (1) from inside the project; and
  - Two (2) from outside the project.
- FNMA PERS approval or copy of the HOA budget

C. Condominium – Smaller Projects (less than 20 units)
- 100% of the total units in the project must be sold and conveyed to the unit owners.
- 50% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA is conveyed to the unit owners – project may not be under developer or builder control.
- Smaller projects that are common for the area are acceptable with like comparables from the subject's market area.
- Smaller projects with no HOA will be considered ~~on a case-by-case basis~~when there is a party wall agreement, an arbitration agreement, or some other document recorded against all units in the project that determines how costs between the unit owners will be shared.
- Projects consisting of three (3) units or less require proof of an arbitration agreement in the Articles and By-laws.
- Comparable sales must include at a minimum:
  - One (1) from inside the project; and
  - Two (2) from outside the project.

(Continued)

10.2 CONDOMINIUM ELIGIBILITY REQUIREMENTS (CONTINUED)

D. Condominium Conversions
- 100% of the total units in the project must be sold and conveyed to the unit owners.
- 50% of the total units in the project must be owner occupied.
- All phases must be complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- Converted condominium projects must be common for the area and demonstrate market acceptance as evidenced by comparable sales of other apartment conversions in the area.

E. Condominium – High Rise Condominium Projects (Five (5) stories or greater)
High-rise condominium projects are ~~considered on a case-by-case basis. They must be~~acceptable provided they are common for the area as evidenced by comparable sales. Comparable sales must be from other high-rise condominium projects in close proximity to the subject and the sales must be similar in design, appeal, market area, etcetera.
- The project may have commercial uses on the first floor only.
- Elevator access to each floor is required.
- Comparable sales must include at a minimum:
  - One (1) from inside the project tower; and
  - One (1) from outside the project tower.

F. Condominium – Documentation Requirements
1. HOA Information Letter – verifying the following:
   - Condominium project is not currently involved in any litigation;
   - Total number of units in the project;
   - Total number of phases that are not complete;
   - Percent of the units sold and conveyed to the unit owners; and
   - Percent of the units owner occupied.
2. Percent of units owned by any one entity or individual and if and when the project was conveyed to the unit owners (i.e.: HOA in control).
3. Hazard insurance in the name of the HOA showing 100% guaranteed replacement coverage.
4. General liability in the name of the HOA for a minimum amount of coverage equal to one million dollars ($1,000,000) per occurrence.
5. Flood insurance & boiler insurance in the name of the HOA (if applicable).
6. Monthly HOA fee for subject.

G. Non-Warrantable Condominium
- Non-Warrantable Condominium projects may be considered ~~on a case-by-case~~ where the project:
  - Is currently involved in any litigation and meets FNMA requirements for HOA involved in litigation;
  - Investment transactions where 50% of the total units are non-owner occupied; and / or
  - More than 15% of the units' HOA dues are delinquent by 60 days or greater with current Profit and Loss, and Balance Sheet showing HOA has one (1) year's reserves or greater.
- Non-Warrantable Condominiums require no more than 25% of the units are owned by a single entity.

Note: Acra will not encourage or engage in any activity that violates USPAP regulations. Guidelines for the locations of comparable sales / rentals are Acra

10.7 Mixed Use Properties

~~A mixed-use property as defined by Acra~~A mixed-use property has a portion of its space dedicate to commercial use and the rest of the property is dedicated to residential use. Acra may approve mixed use properties under the following conditions:

1. Maximum 65% LTV for purchase; maximum 60% LTV for refinance (rate / term or cash-out);
2. Minimum 700 FICO;
3. Maximum of 4-units total (including both commercial and residential units);
4. Commercial square footage may not exceed 49% of the overall square footage of the building;
5. Minimum DSCR of 1.2;
6. Minimum 12 months reserves;
7. The neighborhood may not be primarily commercial or industrial;
8. Maximum loan amount of $1,000,000. Higher loan amounts may be approved by Senior Management with LTV reductions;
9. Commercial space may be retail or office use. Commercial space with industrial, manufacturing, warehousing; or similar types of use are unacceptable;
10. Appraisal may not be a general narrative. It must be on a 1025 or must meet the requirements of UAD 3.6. Appraisal must provide similar comparables documenting that the subject property is marketable;
11. Property may not be combined with rural or manufactured housing;
12. Must be fully amortized, (no Interest-Only); and
13. Must have impounds.

An Adult Care Facility / Assisted Living Facility is a one-to-four (1-4) unit residential property with a home-based business. The following requirements must be met:

1. The borrower must be both the owner and the operator of the business;
2. The business cannot interfere or conflict with the residential use of the property;
3. The property cannot have been altered in any way that would indicate any use, design, or appeal other than residential;
4. There must be no hazardous material being used or stored at the subject property; and
5. The market value of the property must be solely a function of its residential characteristics, rather than of the business use.

An Adult Care Facility / Assisted Living Facility can be considered ~~on a case-by-case basis if it is a~~under the following conditions:

1. Maximum 65% LTV for purchase; maximum 60% LTV for refinance (rate / term or cash-out);
2. Minimum 700 FICO;
3. Minimum DSCR of 1.2;
4. Property must be able to be resold as residential ~~property where the property has not been modified or otherwise detracting from~~real estate. Properties with commercial or significant alterations to accommodate the ~~marketability of~~ business are not acceptable;
5. Appraisal may not be a general narrative. It must be on a 1004, 1025, or must meet the ~~property from its residential use consistent with #2 above.~~ requirements of UAD 3.6;
6. Loan must be fully amortized (no interest-only);
7. Maximum loan amount of $1,000,000. Higher loan amounts may be approved by Senior Management with LTV reductions;
8. Must be fully amortized (no Interest-Only); and
9. Must have impounds.

Acra Management will consider the manner of qualification and other compensating factors in pricing.

10.8
MULTI-FAMILY RESIDENCES

A two-to-four (2-4) unit or a five-plus (5+) multi-family dwelling is designed for apartment use by multiple families. The structure(s) is attached or detached.

10.9
PLANNED UNIT DEVELOPMENTS (PUD'S)

A Planned Unit Development (PUD) is a project or subdivision that consists of common property and improvements that are owned and maintained by a Home Owners Association for the benefit and use of the individual PUD units. The common property enhances the enjoyment of the premises and the value of the property that secures a PUD unit mortgage. Acra will purchase single family properties attached or detached that are located in a PUD project, provided the following criteria is met:

- The project must be in an established market;
- Document a copy of the Master Policy;
- Detached PUD's do not require any additional documentation for the HOA, phase or project completion; and
- If a refinance transaction, provide a recent HOA statement.

10.10
DEED RESTRICTIONS

A "Senior Community" with a minimum age restriction for occupancy (also known as a 55+ Community) is acceptable and needs to document comparable sales within the subdivision.

All other Deed Restrictions are generally ineligible unless approved by Senior Management.

10.11
PUD – MANUFACTURED HOME DEVELOPMENTS

Acra will not lend on manufactured homes located in a PUD.

10.12
ROW HOUSING

A row house property is a site-built dwelling for one family only and built on land owned by the borrower. The dwelling is an attached housing unit that is not classified as a condominium or PUD and does not share any common areas or pay HOA fees.

- Adjoining row homes typically fill an entire block and were primarily built in the 1930s and 1940s.
- Row homes are typically located in communities of row homes with similar construction type, appearance, and value.
- Row homes are typically two (2) or more stories with a front and rear entrance only. The rear entrance is accessible from an alley at the rear of the property, which runs the length of the city block.
- The dwelling may include an attached carport typically accessible from the alley.

Reference §10.14 in connection to shared walls.

10.13 RURAL PROPERTIES

1. Acra originates properties that are classified as “rural” and built up "under 25~~%" on a case-by-case basis.~~%”.
2. Maximum loan amount and LTV / CLTV determined by credit grade. See Rate Matrix.
3. Properties with a marketing time in excess of six (6) months may be subject to an additional LTV reduction.

~~A~~ Despite Appraiser’s opinion of a property as ‘rural’, ‘suburban’, or ‘urban’, Acra underwriting may ~~be classified~~reclassify as rural or suburban-with~~-~~-rural ~~influence as stated by the appraiser or if it is located~~-characteristics after evaluating:

- On a gravel road ~~and does not have adequate utilities available in service~~;
- On more than five (5) acres of land;
- In a neighborhood under 25 ~~percent~~% “built-up”;
- Appraiser classifies the property as rural; ~~or~~
- In a remote or isolated area~~.~~;

- ~~NOTE: Generally, comparable sales used by the appraiser that exceed a distance of~~ Extended days on market;
- Utilities being private;
- Sales comparables more than five (5) miles ~~or more~~away from the subject property ~~is also a good indicator that the~~;
- Sales comparables more than six (6) months old at time of appraisal; and / or
- Subject property ~~may be located in a rural area.~~or comparables demonstrate extended marketing time (more than six (6) months).

10.14 SINGLE FAMILY RESIDENCE

A single-family residence is a site-built dwelling designed for one (1) family use only, normally detached and generally built on land owned by the homeowner.

The dwelling may share one (1) wall ("Party Wall") with a residence owned by another party. Therefore, the units are either detached or attached in groupings of two (2) ("Twin Home"). The dwelling may include an attached or detached garage. Properties that share one (1) wall require a party wall agreement. The party wall agreement should be recorded and reflected on the preliminary title report / title commitment.

Single Family Residence New Tract / Development

For purchase transactions of new construction, the sales contract must indicate the base price and detail any and all upgrades with the cost breakdown. The allowable percentage for upgrades above the standard package must be supportable within the local market.

The appraisal must be made either “as is” if complete or “subject to” which would require a Form 1004D / 442 and photos upon completion.

If the improvements are not completed at the time of the appraisal an estimate of percentage complete should be noted within the report. Interior photos are recommended. Interior photos are required showing completed work, whether on the initial or 1004D / 442 report.

10.15 TOWNHOMES

A town home is a style of construction designed for one (1) family use only and can be built as a PUD, Condo, or Site Built home (no common area). The unit may be detached or attached in groupings of two (2) or more.

10.16 UNIQUE PROPERTIES

Unique Property Features
A dwelling with an unusual layout, peculiar floor plan or inadequate equipment or amenities usually has limited market appeal and should not be considered for maximum financing. The appraiser should comment on any functional obsolescence, negative impact on the marketability, or buyer resistance as a result of the unique property features.

Unique Properties
Acra ~~originates~~may originate unique properties ~~on a case-by-case basis only~~ with the following stipulations:
~~1. Appraisal Field Review is required, regardless of LTV;~~
~~2.~~1. Unique properties must be compared with other unique properties in the area;
~~3.~~2. The property must be in average or better condition;
~~4.~~3. The property must have adequate heating and water sources;
~~5.~~4. The appraised value must be based on a marketing time of no more than six (6) months; and
~~6.~~5. The property must meet all other Acra property requirements and may be subject to an LTV reduction or declination.

10.17 VACANT PROPERTIES

Acra does not originate loans where the subject property(s) are vacant on refinances (cash out or rate & term).

10.18 SANDWICH LEASE

Generally found in Hawaii, “Sandwich Leases” are used to describe a scenario where a HOA is leasing real property complex and in turn are releasing the individual units to homeowners. Not to be confused with renting for occupancy, but instead the HOA is generally owning as Fee Simple, whereas the homeowner is generally on a Leasehold for the real property.

Acra does not lend on Leasehold property; however, may lend against properties in which the leasehold is concurrently being purchased from the HOA as a condominium unit is being purchased from a homeowner – whereas at the conclusion of the transaction Acra's Borrower would own the real property in a Fee Simple manner.

Mechanically, to avoid confusion with the two transactions timing and issuance of a perfected Title Company, generally these two purchases should be handled by the same Title Company / Closing Escrow.

SECTION 11 – GENERAL PROPERTY REQUIREMENTS

The property must conform to the neighborhood and must be in average or better condition. The mortgaged property should conform to all applicable zoning regulations and be the highest and best use of the land.

11.1 BUILDING PERMITS

Acceptable building permits will be required on all conversions or additions to living areas. Square footage, which can be verified through public records, is acceptable and will not require further documentation. Any unpermitted area must be completed in a workman like manner. The appraisal must include a cost to cure, and the unpermitted area should not be included in the Gross Living Area (GLA) calculation.

In areas where permits are not required, the appraiser must disclose when the work was originally completed and comment if the work was done in a workmanlike manner. The appraiser must also comment on the type of conversion or addition and if the improvements are functional and conforming to the original structure.

11.2 LIVING AREA REQUIREMENTS

Acra does not impose minimum square footage requirements on the subject property provided the following requirements are met:

1. The property must have sufficient square footage and room dimensions to be marketable and acceptable to typical borrowers in that market area;
2. The property should include a kitchen, bedroom, and a bathroom with minimum facilities (i.e.: sink, toilet, and bathtub or shower);
3. A property consisting of a combined living room and bedroom (i.e.: studio / efficiency unit) will be considered ~~on a case-by-case basis.~~ ;
~~3.~~4. The property must be marketable, common for the area and the appraisal report must include recent sales of bachelor pads / efficiency units; and
~~4.~~5. Current sales with similar square footage and number of bedrooms / bathrooms must be utilized to support the value. If the subject property consists of one (1) bedroom, the comparable sales must include recent sales of one (1) bedroom properties.

Smaller sized properties (i.e.: square footage and / or bedroom count) that cannot be supported with recent sales of similar sized properties located in the subject's market area require an internal appraisal review).

11.3 KITCHEN

All properties must have a kitchen area sufficient for meal preparation. This includes a cooktop area, refrigerator, sink dedicated to the food preparation area, counter space acceptable for meal preparation, and food storage area.

11.~~3~~4 OUTBUILDINGS

All outbuildings (i.e.: barns, stables, arenas, workshops, guesthouses, etcetera) must be described in detail on the appraisal report. Value for outbuildings may be considered if:

- Legal use and affixed to a permanent foundation;
- Not being used for commercial or business purposes that would conflict with the residential use of the property; and
- Typical for the area as evidenced by comparable sales with value given for the same or similar type of outbuildings.

If outbuildings are not typical for the area and supported by comparable sales with similar outbuildings, no value will be given.

~~11.4 PROPERTY INSPECTIONS~~

~~Acra will allow property inspections to be waived on a case-by-case basis if the LTV is calculated at 70% or less and all parties to the sale execute an addendum to the Purchase Contract. All individuals performing inspections must be appropriately licensed within their field of expertise. Refer to Property Inspection Requirements in General Underwriting.~~

11.5 PROPERTIES LISTED FOR SALE

If the subject property has been listed for sale, loans will be considered under the following characteristics:

- Property is not in default or otherwise delinquent on lien(s);
- Occupancy type specifics:
  - For Primary or Secondary Residences:
    - Qualify at 43% Max DTI; and
    - Properties in Texas are ineligible;
  - For Investment Properties:
    - The subject needs to be occupied by a tenant (i.e.: not vacant);
    - Qualify as (a) ≥1.0 DSCR or (b) 43% Max DTI; and
    - Requires a prepayment penalty of at least three (3) years in term – unless in a State that does not allow prepayment penalties;
- 24 Months of Reserves – Cash-in-Hand can be considered if otherwise consistent with Guide;
- Fully amortizing term – Interest Only is not available;
- Maximum 65% LTV / CLTV between lesser of (a) Appraised Value or (b) lowest recent Listing Price;
- No Subordinate Financing; and
- Impounds are required.

Pricing would be set to:

Channel	Wholesale	Retail	Correspondent
Pricing	• LLA to Rate of 0.500%; • 3.0 points (cannot be bought out via higher rate) to Acra; and • Lender Paid Compensation ("LPC") and / or Lender Credits ("LC") are not available.	• LLA to Rate of 0.500%; • An additional \$1.0 point to customary pricing (cannot be bought out via higher rate) to Acra; and • Lender Credits ("LC") are not available.	• Pricing to be based off current pricing stack minus 2.000% to price; and • 98.000% max pricing.

A property is considered Listed for Sale under this section if the property has been listed for sale in the last six ~~(6)~~ months as measured from ~~the date of funding by Acra, the transaction is ineligible.~~

~~The period for measurement is from~~ (a) the last ~~day~~date of being listed to ~~the date of application submission~~(b) the Application Date.

SECTION 13 – APPRAISAL REVIEW REQUIREMENTS

13.1 APPRAISAL REVIEWS	The intent of the appraisal review is to form an accurate opinion regarding the facts and value of the appraisal that was submitted for lending purposes. All appraisals submitted to Acra Lending are subject to a review. The review may be a Collateral Underwriter review ("CU"), Automated Valuation Model ("AVM"), desk review, field review, an internal or external Broker's Price Opinion ("BPO"), second appraisal, review performed by Acra Lending Valuation Services Department, or some combination thereof. If the CU score is ≤ 2.5 or the appraisal review is at least 90% of the appraised value, the appraised value will generally be deemed acceptable.
13.2 BROKER PRICE OPINION (BPO)	An interior or exterior BPO inspection is generally not required. However, Acra reserves the right to require a BPO ~~on a case-by-case basis.~~when deemed appropriate by Management.

SECTION 14 – APPRAISAL REPORTS

14.1 General Requirements

Acra requires a complete original summary appraisal report on each property. Acra does not accept limited appraisal reports or evaluations. Each appraisal must meet FNMA appraisal standards and conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must be in computerized and include an original or digital signature from the licensed appraiser. The appraiser must explain any inconsistencies or discrepancies noted in the appraisal report. The appraisal must build to a logical conclusion of value.

14.2 Second Appraisals

A second full appraisal is required when:

- The loan amount is greater than ~~$1,500,000 any refinance and~~ $2,000,000 ~~purchase~~; or
- To prevent "flipping", when the subject loan is a purchase transaction subject to Section 35 (primary residence) where the seller of the property acquired the property:
    - 90 days or fewer prior to the date of the resale agreement and the resale price exceeds the seller's original purchase price by more than 10%; or
    - 91-180 days prior to the date of the resale agreement and the resale price exceeds the seller's original purchase price by more than 20%.

NOTE: 90-days and 180-day figures are calculated by counting the day after the date on which the seller acquired the property, up to and including the date of the consumer's agreement to acquire the property that secures the transaction. For example, assume that the creditor determines that date of the consumer's acquisition agreement is October 15, 2021, and that the seller acquired the property on April 17, 2021. The first day to be counted in the 180-day calculation would be April 18, 2021, and the last day would be October 15, 2021. In this case, the number of days from April 17 would be 181, so an additional appraisal is not required.

The additional appraisal cannot be charged to the borrower and must include:

1. A comparison of the previous purchase price with the current purchase price;
2. Changes in market conditions; and
3. Any improvements made to the property since its previous purchase.

(Continued)

14.4 APPRAISAL REPORT FORMS

Appraisals must be completed on the most current version of the following forms, including all appropriate schedules, addenda, and documentation indicated below:

PROPERTY TYPE	FNMA FORM
SINGLE FAMILY RESIDENCE	URAR – Uniform Residential Appraisal Report (FNMA Form 1004 dated 09/2011)
PLANNED UNIT DEVELOPMENT (PUD)	URAR – Uniform Residential Appraisal Report (FNMA Form 1004 dated 09/2011)
CONDOMINIUM UNITS	Individual Condominium Unit Appraisal Report (FNMA Form 1073 dated 09/2011)
SITE CONDOMINIUMS (DETACHED INDIVIDUAL CONDO UNIT)	Individual Condominium Unit Appraisal Report (FNMA Form 1073 dated 09/2011 or a 1004 may be used if ALL units are detached and the appraiser comments on the HOA / dues / maintenance / common areas)
MANUFACTURED HOMES	Manufactured Home Appraisal Report (FNMA Form 1004C dated 03/2005)
2-4 FAMILY UNITS	Small Residential Income Appraisal Report (FNMA Form 1025 dated 03/2005)
5-15 FAMILY UNITS	Small Residential Income Appraisal Report (FHLMC Form 71B dated 08/1977)

14.5 AGE OF APPRAISAL REPORT

If the appraisal date is 120 days or more at ~~funding~~Closing, the original appraiser must provide an Appraisal Update with photos.

If the appraisal date is 180 days or more as of the date of ~~funding~~Closing, a full new appraisal report completed by a licensed or certified appraiser is required.

14.6 APPRAISAL UPDATES (RE-CERTIFICATION OF VALUE)

If an appraisal update is required, the following conditions must be met:

- The real estate has undergone no significant change since the original appraisal;
- The time period between the effective date of the original appraisal and the effective date of the appraisal is less than six (6) months; and
- The appraiser must address any changes in the market conditions and the status of the subject since the original appraisal and analyze the effect of these changes in arriving at the current value estimate for the subject.

The appraiser must drive by the subject property and provide a 1004D or 2055 drive by appraisal and documentation with the following:

- New photographs of the subject and comparable sales; and
- Location map.

If the original appraisal cannot be supported by an appraisal update, a new appraisal must be obtained.

***Such updates can be made by the original appraiser OR any state licensed appraiser.

14.7 APPRAISAL REPORT DOCUMENTATION	Each appraisal report must include as attachments the exhibits listed below:
14.8 LOCATION MAP	The location map must locate the subject property and all comparable properties (including sale, rental and listing comparables, as applicable). The map should also disclose the street names of the subject property and comparable sales.
14.9 PLAT MAP	In states where available, a plat map (a survey from the title commitment if applicable) showing the location of the subject property with the dimensions of the lot size should be obtained.
14.10 FLOOR PLAN / BUILDING SKETCH	Each Appraisal shall include: • A sketch showing the location of all rooms and exterior doors; and • Location of interior walls and doors is required if a condition of functional obsolescence is noted.
14.11 EXTERIOR SKETCH	The exterior sketch of the improvements must include the dimensions and calculations that the appraiser used to determine the size of the subject property. An exterior building sketch is used for detached one-unit properties and end PUD units; an interior perimeter sketch is acceptable for condominium units and interior PUD units. For two-to-four (2-4) unit properties, the sketch must include each unit's layout and entries, indicate the square feet of living area per unit, and the gross building area.
14.12 RENT SCHEDULES (FNMA FORM 1007)	Acra requires the Single-Family Comparable Rent Schedule (FNMA Form 1007) for single family properties on (i) all DSCR qualifying files, (ii) lease-option purchase transactions where the down payment as required in §3.45 is generated from excess monthly rent contributions, or (iii) when proposed rental income is being used to qualify. A 1007 may be from the original appraiser or any state licensed appraiser. Single family investment properties with excessive monthly rent payments reflected on the Rental / Lease Agreement will require documentation supporting that the monthly rent is typical for the area. Acceptable documentation may include; classified ads from local newspapers, Single Family Comparable Rent Schedule (FNMA Form 1007) completed by the appraiser, or a market rent survey completed by a local real estate company or rental management company familiar with the market rents in the area.
~~14.13 RESERVED~~ 14.13 SHORT-TERM RENTALS	For properties that are occupied as a Short-Term Rental, as replacement to a 1007, an STRpro or similar appraisal form is acceptable as long as it is signed by an appropriately licensed appraiser.

SECTION 15 – SUBJECT PROPERTY

The subject property section of the appraisal report must include the following:

- Identify and describe the location of the subject property. The appraisal must identify the subject property by its complete property address and legal description. When the legal description is lengthy, the appraiser may attach the full description as an addendum to the appraisal report, or may provide the subject's tax ID parcel number;
- Provide information about property taxes and special assessments;
- Indicate the occupancy status of the property;
- Describe the property rights appraised;
- Summarize financing data and sales concessions; and
- Identify the borrower, the current owner, and the appraiser.

15.1 CLIENT / LENDER

Appraisal reports reflecting the borrower or property seller as the client / lender are not acceptable ~~on a case-by-case~~ and ~~may~~ require a full new appraisal ~~report~~.

15.2 NEIGHBORHOOD ANALYSIS

The neighborhood section of the appraisal report must contain an accurate description of the subject neighborhood and the factors that influence market value and marketability in the neighborhood. The actual neighborhood area being considered should be clearly defined using street names and other recognizable boundaries. The sales price of comparable properties in the identified area should reflect positive and negative influences in the neighborhood. The analysis should consider the effect of social, economic, governmental and environmental forces on the property values. The information presented in the neighborhood description must be consistent with, and supported by, the conclusions reached by the appraiser throughout the appraisal report.

15.3 GROWTH RATE (INCREASING / DECLINING)

When property values are declining an internal appraisal review may be required and the loan may require a loan-to-value reduction.

15.4 PRESENT LAND USE

The present land use, the predominant occupancy composition, and the likelihood that either will change must be analyzed to determine whether a neighborhood is undergoing transition. The appraiser must comment on any change in land use. (Properties with interim use or properties reported to have a different highest and best use than the present use are not eligible for financing.)

15.5 PREDOMINANT VALUE

The relative percentages of developed land should be shown; underdeveloped land should be shown as vacant. Any unusual situations or types of land use should be mentioned in the comment section. The total types of land use must equal 100%

15.6 DEMAND, SUPPLY, MARKETING TIME

When the marketing time for a particular area is greater than six (6) months, the appraisal must contain comments on the reason for the extended marketing period and its effect on the value of the property.

SECTION 16 – SITE

16.1
SITE VALUE

The estimated site value must be included for all detached properties. If the appraiser's estimate of the site value is one that is not typical for a comparable residential property in the subject property's market area, the appraisal must include comments on how the variance affects the marketability of the subject property.

16.2
MULTIPLE PARCELS

A property that consists of two or more parcels of land with one legal description reflected on the title policy is acceptable collateral. The appraised value must be based on all parcels of land. All existing parcels must be contiguous and encumbered by the subject loan. The appraisal should include comparable sales similar to the subject property. Additional parcels with no improvements must be valued as excess land only. The mortgage must include all parcels as collateral. The site size of all parcels may not exceed Acra's maximum requirements.

16.3
SITE AREA MAXIMUM ACREAGE

Acra will purchase loans secured by properties that are located on lot sizes up to twenty-five (25) acres. The appraiser must provide a value for the entire site size of the property, regardless of the lot dimensions or number of acres.

- Comparable sales must support larger parcels as common and typical for the area.
- The comparable sales should be on similar sized lots from competing market areas in close proximity to the subject. In addition, the comparable sales should exhibit similar age, quality of construction, design, appeal, square footage, room count and utility, etcetera.

NOTE: If the subject property's site size is not supported with similar comparable sales, a loan-to-value reduction may be required.

16.4
SITE UTILITIES

The minimum requirements for water sources, sewers, and electricity may include:

- Public water, private wells, shared wells with a recorded agreement, or common stock in a private water company with a recorded water stock certificate.
  - Cistern water ~~is acceptable on a case-by-case basis.~~ is acceptable when the appraisal demonstrates that this characteristic is common for the area. The appraiser must provide recent comparable sales of properties that use cistern water that are in close proximity to the subject property. An internal appraisal review is required.
- Public sewer or private septic systems (cesspools).
  - Private septic systems (cesspools) must be typical for the area and supported by comparable sales with similar septic systems.
- Public electricity only. Properties relying on solar systems or generators for electricity except as backup systems are not allowed.

SECTION 19 – SALES COMPARISON ANALYSIS

19.1 SALES COMPARISON

At least three (3) verified, closed sales of comparable properties must be analyzed in the appraisal report, with adjustments made for significant differences between the comparable sales and the subject property.

19.2 SALES COMPARISON SELECTION CRITERIA

The three comparable sales listed in the report must meet the following criteria:

- Must be similar in property characteristics including square footage, room count (bedroom / bath count), design / appeal, construction, condition, amenities, site, etcetera.
- Urban and suburban properties must be measured in city blocks.
- Must be in close proximity to the subject property. Outlying suburban and rural properties generally should not be more than five (5) miles from the subject property without adequate explanation from the appraiser.
- Be recently sold (usually no more than six (6) months before the date of the appraisal). Multiple Listings from the market area are also recommended in areas where current closed sales may be difficult to obtain. The use of an older comparable sale must be justified by comments in the appraisal report. The use of comparable sales over twelve (12) months old must include an extensive explanation from the appraiser~~ and will be considered on a case-by-case only~~.
- The comparable sales prices should bracket the estimated value of the subject property.
- If adverse conditions affect the subject property, at least the same type of adverse condition must affect two (2) of the comparable sales.

In areas where there are certain style / types of properties that may be typical for the area such as A-frame home, log homes, split level homes, daylight basements, etcetera the comparables utilized must be similar, in the market area, and represent the current market conditions for the time of sale.

19.3 ADJUSTMENTS TO COMPARABLE SALES

Each comparable sale must be analyzed for similarities and differences between it and the subject property. The appraisal must include appropriate adjustments for differences and indicate the dollar amount of the adjustments. Comparable sales must be adjusted to the subject property. Time adjustments must reflect the time that elapsed between the contract date for the comparable sale and the effective date of the appraisal of the subject property. Unsupported time adjustments are not acceptable.

19.4 EXCESSIVE AND MULTIPLE ADJUSTMENTS

Excessive and multiple adjustments could indicate that the comparables chosen were not suitable for accurately evaluating the property. The appraiser must "bracket" the comparables so that the property can be analyzed using both higher and lower priced homes.

SECTION 21 – APPRAISER'S COMMENTS

The appraiser's comments should reflect the reconciliation of the adjusted or indicated values for the comparable sales and identify which were given the most weight in arriving at the indicated value for the subject property.

Any additional features, necessary repairs or modernization, or physical, functional or external inadequacies must be reported in the comment sections of the appraisal report.

ENVIRONMENTAL HAZARDS
The appraiser must comment on any effects of environmental hazards discovered on or near the site, the impact on marketability or value and an estimate of the scope and / or cost if known to cure.

ADDITIONS OR ALTERATIONS
If the appraisal notes that additions or alterations were made without permits, the comment section should contain comments on the quality and appearance of the work.

ENVIRONMENTAL / ENERGY
The appraiser should use this section to note special energy-efficient items and adverse environmental conditions.

21.1 PROPERTY CONDITION

Acra does not fund loans secured by a property with any condition ratings (a) less than average / fair or (b) C5 / C6 ~~without Senior Management review on a case-by-case basis with compensating factors~~. The appraiser must report the condition of the improvement in factual terms. Items rated less than average (inferior) in competing properties of the subject's market area generally may result in buyer resistance. The appraiser must comment on these items, the reasons for such ratings and how they affect the marketability and value of the subject property. Any property condition rating that is less than average must be properly conditioned and brought to average or better condition prior to closing.

21.2 WORK IN PROGRESS

Any work in progress must be completed and a Satisfactory Certificate of Completion (FNMA Form 1004D or FHLMC Form 442) with photos must be included in the loan file, unless an exemption is granted and documented by Senior Management.

A property with ongoing or recently completed work may be liable to a mechanic's lien(s); an Extended Title Policy specifically covering potential mechanic's liens will be required.

21.3 DEFERRED MAINTENANCE

A property may be rejected as security for a loan or may require a reduction in the loan amount if signs of deferred maintenance exist on the appraisal.

Properties that include certain appraiser conditions, subject to items, or deferred maintenance must be described in detail. The appraiser must include the cost to cure to determine the nature of the repairs. The appraiser's comments should address any threat to an occupant's health, safety and habitability.

Licensed contractor bids are required for all repair items. All repair items must be completed and a Satisfactory Completion Certificate (FNMA Form 1004D or FHLMC Form 442) with photos must be included in the loan file.

A property that is being used to store old cars, auto parts, appliances, debris scattered throughout the site, excessive amount of trash, unkempt yard with overgrown trees, shrubs and weeds, should be cleared. A Satisfactory Certificate of Completion (FNMA Form 1004D or FHLMC Form 442) with photos must be included in the loan file.

In the event work is completed by a third-party contractor, appropriately licensed to complete the work required, Acra may consider a signed statement of work and pictures showing the completed work to document the satisfaction. The file should document the contractor is paid for said work or can pay through the Closing.

21.4 MINOR OR COSMETIC DEFERRED MAINTENANCE

Deferred maintenance items that are considered minor and cosmetic and do not affect the safety, structural integrity, mechanical systems, or habitability of the improvement need not be repaired. Minor cosmetic items may include as a non-exhaustive list of examples: interior or exterior painting, worn carpet, worn linoleum, minor patching, replacement of fixtures, minor clean up items, or minor landscaping. While these items are not required to be cured or repaired, a cost to cure must be established on the appraisal or with a contractor's bid. The total cost of the repairs may not exceed the greater of $5,000 or 3.0% of the property's value.

21.5 HEALTH AND SAFETY ISSUES

All items that have been identified as potential health and safety issues by the Appraiser or Acra must be satisfactorily addressed or resolved. A Satisfactory Certificate of Completion (FNMA Form 1004D or FHLMC Form 442) including photos of the repaired items prior to closing is required.

Health and safety issues may include as a non-exhaustive list of examples; a broken window, empty pool without appropriate fencing, security bars not equipped with safety release latches, upper-level doors with no balcony, missing railings, broken steps, missing handrails on steps / stairs consisting of six (6) or more ~~levels~~stair steps / risers, major electrical, and plumbing repairs.

SECURITY BARS

For health and safety reasons, a property with security bars on the windows and / or doors should be equipped with safety release latches. The appraiser must comment whether or not the security bars have safety release latches. A property that has a minimum of three (3) unobstructed exits will not require safety release latches on the security bars, unless required by the local municipality.

23.22 CONFLICTS OF INTEREST

Lender should monitor parties in connection to closing of the transaction for conflicts of interest and related parties. Ineligible loans include where parties either handle their own funds via the closing or lack disinterest between parties in the transaction. As example in a non-comprehensive or exhaustive list:

- Broker represents the Seller in a Real Estate transaction on one hand and represents the Buyer as the MLO in the other hand;
  - Not to be confused with a Dual Real Estate Agent, which is allowable with proper disclosure to both Buyer and Seller of the property in advance of the purchase agreement's execution;
- Broker has an ownership interest or manages the Closing Firm / Escrow to the transaction;
  - ~~May be~~Is acceptable ~~on a case-by-case~~ where there is a sub-escrow and funds are forwarded to the Title company;
  - Parties should not be allowed to pay themselves or handle funds eventually being payable to themselves through the transaction. Parties to the transaction, such as the Loan Officer, are not allowed;
- Broker has an ownership interest or manages the Appraisal Management Company ("AMC") that provides the appraisal;
- Broker / Lender are representing an employee or themselves as MLO in the transaction;
- Broker / Lender has an ownership interest or manages the Title Insurance Company that provides the commitment / policy;
- A Buyer also represents the Seller as the transaction's real estate agent;
- Anytime state law requires separately licensed parties to the transaction;
  - Transaction must comply with the laws of all states in which it conducts business; or
- Notary is a party to or employee of Broker or Real Estate Agency.

23.28
AGE OF PRELIMINARY TITLE REPORT / TITLE COMMITMENT

The Preliminary Title Report / Title Commitment must be dated no more than sixty (60) days prior to loan closing and must show that the subject lien will be in a clear first or second position, as applicable. Any exceptions to title (i.e.: Statement of Information) must be cleared prior to closing / funding.

23.29
GAP LETTER

~~On a case-by-case,~~ Acra ~~can~~may consider a Gap Letter ~~where provide~~when provided by the Escrow / Closing Attorney, ~~should said~~where the letter:

- Specifically ~~identify~~identifies the subject transaction;
- ~~Be~~Is issued / drafted by a recognizable "major" – as defined exclusively in the discretion of Acra – Title Company; and
- Dated within 30 days prior to the funding.

Specific to refinances, the transaction should be at 80% or lower LTV and borrowers should not have recent mortgage lates, or any non-mortgage liabilities on Title (i.e.: tax liens, mechanic's lien, lis pendens, etcetera).

23.30
OWNERSHIP INTERESTS

Types of the Ownership (Title Vesting) may include the following:

A. Individual
An individual Borrower taking sole-ownership (title) to a property.

B. Joint Tenants
An undivided ownership giving each tenant equal interest and equal rights in a property, including the right of survivorship.

C. Tenants-in-Common
A form of ownership interest by two (2) or more persons that provides for no right of survivorship. The ownership interest does not need to be of equal percentage (i.e.: three (3) owners on title: one (1) owner has 10% interest, one (1) owner has 40% interest, and one (1) owner has 50% interest).

23.31
RIGHTS OF OWNERSHIP

Acra makes loans on one- to four-family (1-4) dwellings that include: Manufactured Homes, Condominiums, and Planned Unit Developments (PUDs).

All estates or interest in land should be described on the Preliminary Title Report and Title Policy as fee, fee simple, or leasehold.

A. Fee or Fee Simple
Fee or Fee Simple is the greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

B. Leasehold
Leasehold is the estate or interest in real estate held by virtue of a lease. In the case of a ground lease, the ownership interest is in the dwelling only and the land is leased from the lessor of record. Acra does not lend against Leasehold properties.

23.40 HAZARD INSURANCE

Seller must provide Acra with an acceptable hazard insurance policy for the mortgage property where the Insured's Name and the Property Address must be identical to that shown on the Deed of Trust / Mortgage. All Hazard Insurance policies must comply with the following:

A. Insurance Carrier Requirements

The insurance company must be licensed to do business in the state in which the mortgage property is located.

The hazard insurer must at all times be rated B+ / IV in Best's Insurance Reports (or Lloyd's of London) and licensed or otherwise authorized by law to conduct business in the jurisdictions here the mortgaged property is located.

B. Coverage Requirements

The Policy must be written for a minimum of fire and special form coverage, which must cover all unit, garages, outbuildings, etcetera by direct mention of allowance in the policy. If the perils of "Wind~~" or~~", "Windstorm~~"~~", or "Wild Fire" (or other "named storm", etcetera) are excluded from policy coverage, then Acra Lending requires a separate policy of coverage for "Wind~~" or~~", "Windstorm", or "Wild Fire" to be obtained.

The acceptable threshold for hazard insurance coverage must be equal to the lesser of ~~(i) 100% of the insurable value of the improvements, as established by the property insurer (or Appraiser) using a~~ :

(i) Loan Amount;

(ii) Replacement Cost Estimator ~~("RCE") , or (ii) the unpaid principal balance of~~ ("RCE") within the lasts 60 days:

- In States where the RCE is not available, a statement from the Agent confirming "100% replacement cost" is acceptable, which can be listed on the Dec Page or an email directly from agent; and
- RCE should match the ~~mortgage, as long as it is at least~~ square footage on appraisal. Square footage must be equal to or ~~greater than 80%~~within 3% variance of the ~~insurable value of~~subject property's square footage per the ~~improvement(s) on the RCE for damage or loss on a replacement cost basis. The RCE, if from the property insurer, must be issued within 30 calendar days of the file's funding, but may have been created at an earlier date.~~appraisal; and

(iii) Total Estimated Cost new on Appraisal.

Some states have passed regulations to protect insurance companies' potential proprietary logic where an ~~insurance agent~~Insurance Agent may decline to provide an RCE. In such event, a statement from the ~~agent~~Agent confirming coverage is "100% replacement cost" or similar assertion may be obtained. Statement from ~~agent~~Agent may be confirmed on the policy, in a letter from ~~agent~~Agent on letterhead, or in an email directly from ~~agency~~Agency (compared to the text being copied into another party's email or restated).

C. Rent Loss

Rent loss insurance covers rental losses that are incurred during the period that a property is being rehabilitated following a casualty. ~~Rent loss insurance coverage is required on all one- to four-unit (1-4) non-owner occupied income properties. The policy must include coverage of at least six (6) months rental losses during property rehabilitation following a casualty. At minimum, coverage should be to the lessor of (a) PITIA or (b) rent received / scheduled.~~

- Six (6) months' Rent Loss Insurance is required on one- to four-unit (1-4) non-owner occupied income properties with LTV > 70% and when subject property rents are used to qualify (includes No Ratio DSCR).
- Loans with ≤ 70% CLTV are not required to carry rent loss insurance.
- When rent loss insurance is required but cannot be obtained, Borrower may substitute two (2) months reserves for every one (1) month of rent loss coverage not provided.

D. Effective Date

The policy must be in effect on or before the date of funding.

(Continued)