

ONslow BAY FINANCIAL

An Annaly Company



Onslow Bay Financial LLC

Seller Program Underwriting Guidelines

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Version 7.7

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1 GENERAL POLICY

1.1 LOAN PURCHASE ELIGIBILITY POLICY

Onslow Bay Financial LLC's ("Onslow Bay") Seller Program Underwriting Guidelines establish the criteria under which a residential mortgage loan will be eligible for purchase by Onslow Bay. Onslow Bay is a secondary market purchaser of residential whole loans and does not directly originate or extend or deny credit to Borrowers. Onslow Bay does not require originators or clients to make any loan simply because it is eligible for purchase by Onslow Bay, nor does Onslow Bay prohibit originators or clients from originating a loan that is ineligible for purchase by Onslow Bay. Clients should rely on their own underwriting guidelines and any additional industry information they need to determine whether to extend credit to any applicant.

Onslow Bay will evaluate many aspects of the loan to make a purchase determination, but primarily relies on evaluation of the Borrower's ability and willingness to repay the loan to predict loan performance. Additional characteristics of the loan will also be examined including credit history, asset position and the property being used for collateral.

Onslow Bay has a zero-tolerance policy as it relates to fraud. All clients should follow their own established fraud and identity procedures on every loan to prevent and detect fraud (including, but not limited to, Social Security number verification, verbal verifications of employment, processing of 4506-C, etc.). Loans containing fraudulent documentation or information will immediately be rejected for purchase and forwarded for further review. If there is any determination of client involvement, the client will be made inactive, and the appropriate agencies notified. It is the originator's responsibility to ensure that all loans it originates comply with all federal, state, and local laws applicable to the origination and sale of mortgage loans.

1.2 FAIR LENDING STATEMENT

Onslow Bay Financial LLC operates in accordance with the provisions of the Fair Housing Act and Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the borrower has the capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act. Onslow Bay Financial LLC fully supports the letter and spirit of both of these laws and will not condone discrimination in any mortgage transaction.

1.3 RESPONSIBLE LENDING STATEMENT

The primary focus of this lending program is the borrower's ability to repay the mortgage obligation. Mortgage Loans acquired or funded by Onslow Bay Financial LLC should be affordable to the borrower in his or her pursuit of homeownership.

Under the general Ability to Repay (ATR) standard, at or before consummation of the related Mortgage Loan, lenders must make reasonable, good-faith determination that the consumer has a reasonable ability to repay the Mortgage Loan. Lenders must verify information using reasonably reliable third-party records that provide evidence of income or assets.

If a Mortgage Loan is subject to the ATR rules under the Federal Truth In Lending Act ("TILA"), lenders must consider eight underwriting factors to be compliant:

1. Current or reasonably expected income or assets (other than the value of the property that secures the loan) that the consumer will rely on to repay the loan.
2. Current employment status (if you rely on employment income when assessing the consumer's ability to repay).
3. Monthly mortgage payment for this loan. You calculate this using the introductory or fully indexed rate whichever is higher, and monthly, fully amortizing payments that are substantially equal.
4. Monthly payment on any simultaneous loan secured by the same property.
5. Monthly payments for property taxes and insurance that you require the consumer to buy, and certain other costs related to the property such as homeowner's association fees or ground rent.

6. Debts, alimony, and child support obligations.
7. Monthly debt-to-income ratio or residual income, that you calculated using the total of all of the mortgage and non-mortgage obligations listed above, as a ratio of gross monthly income.
8. Credit history.

Onslow Bay Financial LLC will not fund or purchase a loan subject to the ATR requirement under TILA unless it meets the requirements of the rule. Certain loans may be exempt from TILA or otherwise exempt from the ATR rule. In those cases, though Onslow Bay Financial LLC may choose to purchase a loan that does not adhere to the formal requirements of the ATR rule, Onslow Bay Financial LLC will only fund or purchase loans that the applicant appears able to afford based on application of prudent underwriting standards.

2 ONSLOW BAY PROGRAM OVERVIEW | Summary and Features

Please see **Section 17: Onslow Bay Program Matrices** for the full eligibility guidelines. The information below is a representative summary of the different Onslow Bay programs.

2.1 ONSLOW BAY EXPANDED PRIME PLUS PROGRAM

- Expanded Prime Plus Program is for Borrowers with a clean derogatory housing event history (≥ 48 months clean) and mortgage history (0x30x12)
- Borrowers can qualify with Full Documentation (including 1099s), Streamline Documentation (including 1099s), Written Verification of Employment ("WVOE"), Asset Depletion, Asset Qualifier, 12 Month 3rd Party P&L, 12M/24M Personal and Business Bank Statements
- Max Loan Size of \$3.5mm
- Max LTV of 90%
- Minimum FICO of 660
- DTI up to 55%
 - Requires a FICO score of 700 or greater
 - Maximum LTV 80%
 - Primary Residence only, no FTHB
 - Requires 1.5x Residual Income as defined in Section 13.3
- Interest Only Eligible (Min 700 FICO, Max 85% LTV)
- 6 Months Minimum reserves
- Cash-Out can be used as reserves

2.2 ONSLOW BAY SHARP PROGRAM

2.2.1 Sharp Program (A+)

- Onslow Bay Sharp Program (Credit Grade A+) is for Borrowers with the following housing event history (≥ 36 months clean) and mortgage history (1x30x12)
- Borrowers can qualify with Full Documentation (including 1099s), Streamline Documentation (including 1099s), Written Verification of Employment ("WVOE"), Asset Depletion, Asset Qualifier, 12 Month 3rd Party P&L, 12M/24M Personal and Business Bank Statements
- Max Loan Size of \$3.0mm
- Max LTV of 90%
- Minimum FICO of 660
- DTI up to 50%

- Interest Only Eligible (Min 700 FICO, Max 80% LTV)
- 3 Months Minimum reserves
- Cash-Out can be used as reserves

2.2.2 Sharp Program (A-)

- Onslow Bay Sharp Program (Credit Grade A-) is for Borrowers with the following derogatory housing event history (**>=24 months clean**) and **mortgage history (2x30x12 and 1x60x24)**
- Borrowers can qualify with Full Documentation (including 1099s), Streamline Documentation (including 1099s) and 12M/24M Personal and Business Bank Statements
- Asset Depletion, Asset Qualifier, 12 Month 3rd Party P&L and Written Verification of Employment are NOT eligible
- Max Loan Size of \$2.0mm
- Max LTV of 85%
- Minimum FICO of 660
- DTI up to 45%
- Interest Only not permissible
- 3 Months minimum reserves
- Cash-Out can be used as reserves

2.3 ONSLOW BAY DSCR PLUS PROGRAM

- Bay DSCR Plus Program is for professional investors with the following derogatory housing event history (**>=36 months clean**) and **mortgage history (0x30x12)** seeking a business purpose, non-owner-occupied loan
 - First Time Investors are allowed provided that the DSCR is >1.0, the Credit score is >700 and there are no exceptions on the file
- Borrowers will qualify with property income (Debt Service Coverage Ratio)
- Debt Service Coverage Ratio = Gross Rent / PITIA (Amortizing loan) or Gross Rent / ITIA (Interest Only)
- DSCR eligible at .75x
- No Ratio DSCR is acceptable with restrictions (See Section 17.3 for more detail)
- No personal income to qualify
- Personal recourse required for all entity members. No additional Borrowers are allowed to join an entity on Title or on the subject loan
- Max Loan Size of \$2.0mm
- Max LTV of 80%
- Minimum FICO of 660
- Interest Only acceptable with restrictions
- 3 months minimum reserves
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- Cash-Out can be used as reserves
- Housing history verified on subject property and borrower primary only

2.4 ONSLOW BAY CROSS COLLATERALIZED LOAN PROGRAM

- Onslow Bay's Cross Collateralized Loan Program is for Professional Investors seeking a business purpose, non-owner-occupied loan collateralized with multiple properties
 - Cross Collateralized Loan refers to a single mortgage that covers at least two (2) or more properties (max of fifteen (15)). All of the underlying properties will be collateral on the mortgage
- Correspondents must request access and receive approval to deliver Cross Collateralized Loans
- Cross Collateralized Loan DSCR & Minimum Property DSCR $\geq 1.10x$
- No personal income to qualify
- Personal recourse required for all entity members. No additional Borrowers are allowed to join an entity on Title or on the subject loan
- Max Loan Size of \$2.0mm
- Max LTV of 75%
- Minimum FICO of 680
- Interest Only acceptable with restrictions
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- Cash-Out can be used as reserves

2.5 ONSLOW BAY FOREIGN NATIONAL PLUS PROGRAM

- Onslow Bay Foreign National Plus Program is for Borrowers with a clean derogatory housing event history (≥ 48 months clean) and mortgage history (0x30x12)
- A Foreign National is a non-U.S. Citizen who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements
- Borrowers can qualify with Foreign Income or property level income (DSCR)
 - DSCR qualification will be for Non-Owner-Occupied properties only
- 2nd Home and Non-Owner Occupied only. No Primary residences
- Max Loan Size of \$1.0mm
- Max LTV of 65%
- Minimum FICO of 680+
- Borrowers qualifying with Foreign Income do not need a representative FICO score
- 1.00x Minimum DSCR (Non-Owner-Occupied properties only)
- DTI up to 45%
- Interest Only Not Permissible
- Minimum 12 months reserves
- Cash-Out cannot be used as reserves

3 PRODUCT TYPES & ELIGIBILITY

Product	Qualifying Rate ⁽¹⁾	Term	IO Term	Amort. Term	Index	Caps
3/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	2/1/5
3/6 ARM IO	Higher of Fully Indexed or Note Rate	360	120	240	30 Day SOFR	2/1/5
3/6 ARM IO	Higher of Fully Indexed or Note Rate	480	120	360	30 Day SOFR	2/1/5
5/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	360	120	240	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	480	120	360	30 Day SOFR	2/1/5
7/6 ARM	Note Rate ⁽²⁾	360		360	30 Day SOFR	5/1/5
7/6 ARM IO	Note Rate ⁽²⁾	360	120	240	30 Day SOFR	5/1/5
7/6 ARM IO	Note Rate ⁽²⁾	480	120	360	30 Day SOFR	5/1/5
10/6 ARM	Note Rate ⁽²⁾	360		360	30 Day SOFR	5/1/5
10/6 ARM IO	Note Rate ⁽²⁾	360	120	240	30 Day SOFR	5/1/5
10/6 ARM IO	Note Rate ⁽²⁾	480	120	360	30 Day SOFR	5/1/5
15 Yr. Fix	Note Rate	180		180		
30 Yr. Fix	Note Rate	360		360		
30 Yr. Fix IO	Note Rate	360	120	240		
40 Year Fix IO	Note Rate	480	120	360		

1. *DSCR and Cross Collateralized loans will be qualified at the original Note Rate, regardless of ARM or Fixed.

2. Higher of Fully Indexed or Note Rate for loans that are higher-priced mortgage loans or higher priced covered transactions under Regulation Z.

3.1 ADJUSTABLE-RATE CRITERIA

- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Underwriting Guidelines for adjustable-rate criteria (caps, floors, margins, etc.)
- ARM floor is equal to the loan's initial margin
- 30 Day Average SOFR Index as published by the New York Federal Reserve
- Reset Period on ARMs will occur every six months after the initial reset

3.2 ONSLOW BAY DEROGATORY HOUSING HISTORY

- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Underwriting Guidelines for Derogatory Housing Events seasoning requirements and Housing History requirements
- Derogatory Housing Events:
 - Onslow Bay defines Housing Events as Foreclosures, Short Sale, Deed in Lieu, Default Modification, Notice of Default, or 120+ Days Delinquent
 - Bankruptcies are considered Housing Events, inclusive of Chapter 7, 11, and 13
 - Defaulted first and second mortgages on same property are considered one (1) event
 - Events include all occupancy types (Primary, Second Home, and Investment Properties)
 - Seasoning lookback is from the date of discharge / dismissal or property resolution (completion date), as of the note date
 - Modification look back commences at inception (when loan was permanently modified)
- Housing History
 - Twelve (12) month mortgage / housing history includes all occupancy types: Primary, Second Home and Investment Properties

3.3 GEOGRAPHY

- All fifty (50) US states including the District of Columbia (DC) are eligible for purchase by Onslow Bay
- The following US commonwealth and territories are not eligible for purchase by Onslow Bay
 - Puerto Rico, Guam, American Samoa, Northern Marina Islands and the U.S. Virgin Islands

3.4 MINIMUM LOAN AMOUNT

- Expanded Prime Plus, Sharp (A+), Sharp (A-) and Foreign National Plus (\$150k)
- DSCR Plus (\$125k)
- Cross Collateralized (\$250k)

3.5 DEBT TO INCOME (“DTI”)

- Max DTI permitted: 50%
- DTI up to 55% allowable in Expanded Prime Plus only with the following requirements:
 - Minimum 700 FICO
 - Max 80% LTV / CLTV
 - Primary residence only
 - No FTHB
 - 1.5x minimum residual income as defined in Section 13.3
- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Underwriting Guidelines for specific DTI limits
- Loans with a DTI greater than 43% or HPML must follow Onslow Bay's residual income requirements as noted in Section 13.3
- For I/O qualifying rate / payment, calculate using the higher of the fully indexed rate or initial rate based on the original balance and remaining amortizing term at the end of the I/O period (i.e., 240 months or 360 months). See section 3.1 for adjustable-rate loans. For fixed rate loans, apply the fixed rate. Qualifying payment for I/O must include a principal component. Applicable to Expanded Prime Plus and Sharp (A+).

3.6 CASH-OUT LIMITS

- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Underwriting Guidelines for Cash-Out limits

3.7 PREPAYMENT PENALTIES

- Permitted on Non-Owner Occupied (Investment Properties) only. Prepayment penalties on primary residences and second home transactions are prohibited
- Where permitted by applicable laws and regulations. Total points, fees and APR may not exceed current state and federal high-cost thresholds
- Onslow Bay does not purchase loans defined as high-cost mortgages under Federal or state law, regardless of the basis for the loan's treatment as such

3.8 RESERVES

- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Guides for Reserve requirements
- Reserves are calculated off actual P&I payment plus taxes, insurance and HOA fees (PITIA)

- Reserves for an Interest Only ("IO") loan will be based on the initial Interest Only payment (ITIA)
- Additional reserves are required for Borrower(s) with additional financed properties other than the Subject property (Applicable to Expanded Prime Plus, Sharp (A+), Sharp (A-) and Foreign National Plus). DSCR Plus does not require reserves for additional financed properties, Subject property only)
 - Borrower(s) will be required to document an additional two (2) months of reserves for each additional financed property. The two (2) months additional reserves are based on the PITIA / ITIA of the respective financed properties subject to a maximum of twelve (12) months reserves for all financed properties (excluding Subject property)
 - Borrower(s) will be subject to the Subject Property reserve requirements in addition to financed property reserve requirements
 - Example) Borrower with five (5) financed properties with a total monthly PITIA / ITIA of \$5,000 must have an additional \$10,000 in reserves in addition to the Subject property requirements
- Reserves must be documented per 11.1 Documentation
- Cash-Out proceeds may be used in reserve calculation

4 PRODUCT TYPES & ELIGIBILITY

4.1 ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Foreign Nationals
- Non-Occupant Co-Borrowers
- Inter Vivos Revocable Trust (Must meet FNMA requirements)
- Limited Partnerships, General Partnerships, Corporations, Limited Liability Companies ("LLCs")

4.2 PERMANENT RESIDENT ALIEN

- A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing
- Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:
 - I-151 – Permanent Resident Card (Green Card) that does not have an expiration date
 - I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired
 - I-551 – Conditional Permanent Resident Card (Green Card) issued for two (2) years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions
 - Un-expired Foreign Passport with an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."

4.3 NON-PERMANENT RESIDENT ALIENS

4.3.1 Non-Permanent Resident Aliens must meet the following requirements:

- The following Visa classifications are allowed as Non-Permanent Resident Aliens:

– E-1, E-2, E-3	– H-1B	– O-1
– EB-5	– L-1	– R-1
– G-1 through G-5	– NATO	– TN (NAFTA)R-1

- Copies of the Borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival / Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing
- A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower's current employer. If the visa will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
- If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification
- Borrowers who are residents of countries which participate in the Department of Homeland Security's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website:

<https://www.dhs.gov/visa-waiver-program-requirements>

4.3.2 Non-Permanent Resident Alien Program Restrictions

- Maximum 80% LTV / CLTV
- Purchase and Rate / Term Refinances only

4.4 FOREIGN NATIONAL

- A Foreign National is a non-U.S. Citizen who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. Foreign Nationals are ineligible for primary residence financing.

4.4.1 Verification of Residency Status

- The following Visa types are allowed as Foreign Nationals:

– B-1 and B-2	– I	– O-2
– H-2 and H-3	– J-1 and J-2	– P-1 and P-2
- Copies of the Borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-95 form (Arrival / Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing
- If the visa will expire within six (6) months of the loan application, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
- If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate any of the Foreign National requirements set forth in these guides. Individuals in possession of spouse or family member visas are to qualify as Co-Borrowers only.
- Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>
- Onslow Bay does not buy loans originated to citizens of Venezuela or any other country or jurisdiction identified as not being allowed to transact business in the U.S.

4.4.2 Credit Requirements

- A U.S. credit report should be obtained for each Foreign National Borrower with a valid Social Security Number (SSN). For Borrowers without a valid Social Security Number, an Individual Taxpayer Identification Number (ITIN) is also allowed. An ITIN is acceptable if the Borrower has the ITIN for the purpose of reporting taxes from passive income sources and is not employed in the US. Foreign Nationals who do not have a valid SSN or ITIN may still proceed under the Foreign National program with all other requirements still applicable

4.4.2.1 Qualifying U.S. Credit

- Qualifying U.S. Credit refers to non-U.S. citizen Borrowers who meet standard tradeline requirements located in section 7.4.1

4.4.2.2 Qualifying Foreign Credit

- Qualifying Foreign Credit Borrowers must have an established credit history subject to the following requirements:
 - Three open accounts with a two (2) year history reflecting no late payments
 - Mortgage and/or rental payment must be verified with a twelve (12) month history not to exceed 0x30 in the past twelve (12) months
 - A two (2) year housing history can be used as a tradeline
 - U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish three (3) open accounts. If letters are obtained, they must:
 - State the type and length of relationship, how the account(s) are held, and the status of the account(s)
 - Contain contact information for the person(s) signing the letter(s)
 - Any translation required must be signed and dated by a certified translator

4.4.3 Income Requirements

- Borrowers that have income sourced in the U.S. must comply with the standard documentation guidelines located in Section 8. For non-U.S. income care must be taken in assessing a borrower's income. If income is declining or inconsistent, and cannot be isolated to a non-recurring instance, then lowest annual income should be used. Continued declining income is not eligible for use in qualifying. Income from countries sanctioned by OFAC is not allowed

4.4.3.1 Foreign Income Salaried / Wage Earner (using non-U.S. sources)

- Requires a most recent paystub covering a minimum 30-day period that includes year-to-date income, and one of the following:
 - W-2 equivalent documentation or
 - Two (2) years tax returns from borrower country of origin; OR
- A letter from employer which includes current monthly salary, YTD earnings for the past 2 years. Letter must be on company letterhead, include company address, company website, and provide a contact. Employer to be verified (LexisNexis, D&B, Google or other). All documents must be translated by an independent certified translator.

4.4.3.2 Foreign Income Self Employed (using non-U.S. sources)

- Must be self-employed a minimum of 2 years evidenced by a letter from borrower's CPA or equivalent. Letter must be on company letterhead and include income figures for each of the last 2 years as well as a current YTD income. A business license (when required) and organization documents should be provided; and
- All documents must be translated by an independent certified translator. OR
- Two (2) years tax returns from the borrower's country of residence along with a YTD P&L statement

4.5 FIRST TIME HOME BUYERS

- First Time Home Buyers ("FTHB") are individuals that have not owned a home or had a residential mortgage in the last three (3) years. The following are required for FTHB:
 - Maximum payment shock of 250%
 - Rent Free FTHB are unable to meet Payment Shock requirements, they are permitted with no credit exceptions. Housing History requirements pertaining to rent free borrowers identified in Section 7.2 must be followed

- Please refer to the respective Onslow Bay Program Matrix at the end of the Onslow Bay Seller Underwriting Guidelines for additional FTHB restrictions

4.6 NON-OCCUPANT CO-BORROWER

- Non-Occupant Co-Borrowers are credit applicants that do not occupy the subject property. The following requirements must be met:
 - Must be an immediate relative, proof of relationship is required
 - Must sign the mortgage / deed of trust
 - Must not have an interest in the property sales transaction
 - Maximum LTV / CLTV of 80% or limited as posted on applicable Onslow Bay Program Matrix, whichever is lower
 - Single unit primary residence only
 - Maximum DTI of 43%
 - Additional six (6) months reserves required
 - Occupying Borrower must have documented income equal to 75% of PITIA
 - Purchase and Rate / Term Refinance only

4.7 LIMITED PARTNERSHIP (LP), GENERAL PARTNERSHIP (GP), CORPORATIONS (CORP) AND LIMITED LIABILITY COMPANIES (LLC)

- Properties vested in any of these manners are limited to Investment and Business Purpose. The following requirements must be met:
 - For an LLC, the purpose is for the ownership and management of real estate
 - All LLC owners (max four 4) are Borrowers on the transaction
 - All Borrower(s) must execute the Occupancy Certification or similar form subject to Onslow Bay pre-approval
 - For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the Onslow Bay Business Purpose & Occupancy Affidavit
 - Guarantor(s) must be a manager or majority owner (25% or greater) of the business entity and is subject to the same underwriting requirements as an individual Borrower
 - Personal Guaranty (s) required if Note is not being signed individually (see below for signing example) and must sign all closing documents and disclosures. All Borrower(s) will be required to provide Personal Recourse
 - The following LLC documents are required:
 - Articles of Incorporation
 - Operating Agreement
 - Tax Identification Number
 - Certificate of Good Standing, dated within 30 days of closing
 - Layered entities are permitted up to two (2) layers when there is a single Guarantor of the top entity which is, 100% owner / guarantor of bottom entity (title holder / borrower).
 - Guideline requirements above must be met for each entity
 - LLC Signature Requirements
 - The note must be signed by both the applicant(s) in their individual capacity and as member(s) and/or manager(s) of the LLC. All members of the LLC must sign the note as member(s) of the LLC, in addition to any other signature requirements. In cases where there will not be any individual capacity signatures, each member / manager must sign a Personal Guaranty).

- The Mortgage / Deed of Trust / security instrument should be signed by all member(s) of the LLC in their capacity as member(s) and/or manager(s) of the LLC. Any non-borrowing member will be required to sign the note and mortgage / deed of trust in their capacity as member(s).

Example:

Note:
<i>John Smith (Individual signature if person is not signing a Personal Guaranty)</i>
<i>John Smith, as member of ABC Properties, LLC</i>
Mortgage / Deed of Trust:
<i>John Smith, as member of ABC Properties, LLC</i>

4.8 INELIGIBLE BORROWERS

- Onslow Bay will not purchase loans that have been made to any of the following Borrower types:
 - Irrevocable or Blind Trusts
 - Land Trusts
 - Borrowers with diplomatic immunity
 - DACA & asylum applicants
 - Self-employed Borrower deriving their income from any Cannabis related business
 - Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority

5 OCCUPANCY ELIGIBILITY

5.1 PRIMARY RESIDENCE

- A primary residence is a property that the Borrower(s) currently resides in (refinance) or intends to occupy (within sixty (60) days) as his or her principal residence
- 3–4 Unit properties are eligible as primary residences provided, they are common for the area and exhibit no unique characteristics that can influence marketability. If there are questions or concerns on a specific property, please contact loanscenarios@onslowbayfinancial.com for review and consideration
- Characteristics that may indicate that a property is used as a Borrower's primary residence include:
 - Occupancy by the Borrower for the major portion of the year
 - Location is relatively convenient to the Borrower's principal place of employment
 - Property is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar matters
 - Borrower may not own an additional single-family residence of equal or greater value than subject property
 - Property possesses physical characteristics that accommodate the Borrower's family

5.2 SECOND HOMES:

- A property is considered a second home when it meets all the following requirements:
 - Must be located a reasonable distance away from the Borrower(s) principal residence

- Must be occupied by the Borrower(s) for some portion of the year
- Is restricted to a one-unit dwelling
- Must be suitable for year-round occupancy
- The Borrower(s) must have exclusive control over the property
- Must not be subject to any timeshare arrangements, rental pools or other agreements which require the Borrower to rent the subject property or otherwise give control of the subject property to a management firm

5.2.1 Rural / Gift Funds

- Rural properties are permitted
 - Subtract 5% LTV / CLTV from respective program matrix for Rural
 - Max 75% LTV / CLTV
- Gift funds not permitted on Second Homes >80% LTV / CLTV

5.3 NON-OWNER OCCUPIED:

- Occupancy designation for an income producing property where the Borrower does not occupy the Subject property
- All Borrower(s) must execute the Occupancy Certification or similar form subject to Onslow Bay pre-approval
- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the Onslow Bay Business Purpose & Occupancy Affidavit
- For non-owner-occupied loans with a Guarantor, the Borrower(s) providing the guarantee must execute the Personal Guaranty Agreement.
- Originators should receive pre-approval from Onslow Bay for utilizing different forms

5.3.1 Ineligible for Non-Owner Occupied

- Rural properties not permitted
- Gift funds not permitted on Non-Owner-Occupied loans >80% LTV / CLTV

6 TRANSACTION ELIGIBILITY

6.1 ELIGIBLE TRANSACTIONS

6.1.1 Purchase

- A purchase transaction is one which allows a buyer to acquire a property from a seller where the proceeds of the transaction are used to finance the acquisition of the Subject property
- The lesser of the purchase price or appraised value of the Subject property is used to calculate the LTV
- Sellers must have owned the property more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. Scenarios that meet the definition of a Flip Transaction as defined in Section 6.1.6 below must meet the requirements provided in that section. Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction. Maximum Interested Party Contributions permitted up to 6%

6.1.2 Rate / Term Refinance

- A Rate / Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only with no additional cash or advancing of new money on the loan unless it is below the limited Cash-Out amount.
- The seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end mortgage or HELOC mortgage not having any draws greater than \$2,000 in the past twelve (12) months
 - Withdrawal activity must be documented with a transaction history from the HELOC

- Limited cash to the Borrower must not exceed the greater of \$5,000 or 2% of the principal amount of the new mortgage to be considered a Rate / Term refinance
- The LTV / CLTV will be based off of the appraised value. Loan must be used to pay off existing lien on the Subject mortgage and cash to the Borrower must not exceed the greater of \$2,000 or 1% of the principal amount of the new mortgage
- Properties that have been listed for sale by the Borrower within the past six (6) months from the loan application date are subject to incremental Early Payoff ("EPO") protection. Please contact loanscenarios@onslowbayfinancial.com for pre-approval.
- Incremental Early Payoff (EPO) protection will not be required if the subject is an investment property and the borrower can provide an executed twelve (12) month lease from the tenant and evidence of payment for some combination of monies received (1st, last and security)
- The rate / term refinance of a construction loan is eligible with the following conditions:
 - If the lot was acquired twelve (12) or more months before applying for the subject loan, the LTV / CLTV is based on the current appraised value of the property
 - If the lot was acquired less than twelve (12) months before applying for the construction financing, the LTV / CLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance
- Refinancing of a Land Contract is considered a purchase and LTV / CLTV should be calculated using purchase price

6.1.3 Cash-Out Refinance

- A Cash-Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner to obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing if they do not exceed the program requirements
- To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of six (6) months prior to the application date. For DSCR Cash-Out seasoning and guidance, please refer to Section 9.8
- Properties listed for sale by the Borrower within the last twelve (12) months are not eligible
- If the property is owned less than twelve (12) months but greater than six (6) months at the time of application, the LTV / CLTV will be based on the lesser of the original purchase price plus documented improvements, or current appraised value. The prior settlement statement will be required for proof of purchase price
- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance
- Refinancing of a Land Contract is considered a purchase and LTV / CLTV should be calculated using purchase price
- A Texas 50(a)(6) loan is a non-purchase money mortgage (potentially including a refinance of a prior home equity loan) in which the borrower takes equity out of a homestead property in Texas. In order to be valid, these home equity loans must comply with all requirements listed in Section Article XVI, Section 50(a)(6) of the Texas Constitution. Sellers should not rely on Onslow Bay's categorization of a loan as a "Cash-Out Refinance" for purposes of determining whether compliance with the Texas Constitution is required. Sellers should instead consult with their own legal or compliance resources to determine the applicability of Article XVI, Section 50(a)(6) to a specific transaction.
- Please refer to Onslow Bay Program Matrix for specific details regarding maximum LTV and Cash-Out amounts. Please note: Cash-Out includes funds received AT closing as cash back and any applicable debts paid off outside the original non-purchase money transaction

6.1.4 Continuity of Obligation

- Continuity of obligation occurs on a refinance transaction when at least one of the Borrower(s) (or members of the LLC) on the existing mortgage is also a Borrower / LLC on the new refinance transaction secured by the subject property
- When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
 - At least one Borrower on the refinance mortgage held title to for the most recent six (6) month period and the mortgage file contains documentation evidencing that the Borrower / LLC has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six (6) month period
 - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership; 6 months cash-out and rate/term seasoning not applicable in these cases.
 - Title resolution prior to closing of subject loan (preferable prior to application)

6.1.5 Subordinate Financing

- New subordinate financing (institutional) allowed for purchase transactions only
- Primary residences only
- If a HELOC is present the LTV / CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the line amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value
- All subordinate loan obligations must be considered, verified, and considered when calculating the Borrower's DTI
- If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment
- Interest Only not permitted
- Existing subordination is permitted on refinances

6.1.6 Flip Transactions

- When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a "flip". To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used
- Flip transactions are subject to the following requirements:
 - All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction
 - No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan
 - The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing
 - No assignments of the contract to another buyer
 - If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained
 - An additional appraisal product is required. See 14.2 Third Party Appraisal Review Process

Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at: <https://www.consumerfinance.gov/rules-policy/final-rules/appraisals-higher-priced-mortgage-loans/>

- A second appraisal is required, prior to closing, in the following circumstances:
 - Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days
 - Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days
 - The Borrower may not pay for the 2nd appraisal

6.1.7 Delayed Financing

- Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eight days (180) of the loan application
 - The original purchase transaction must be an arm's length transaction
 - The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property as example)
 - The maximum LTV / CLTV for the transaction will be based on the lower of the current appraised value of the subject or the purchase price plus any of the documented improvements (subject to a case by case review)
 - The preliminary Title information must confirm that there are no existing liens on the property
 - The loan is considered a Cash-Out transaction. Cash-Out loan, LTV and other limitations apply

6.1.8 Temporary Interest Rate Buydowns

- Onslow Bay permits Temporary Interest Rate Buydowns in accordance with the Fannie Mae Seller Guides. Please default to the Fannie Mae Seller Guides unless specifically mentioned in the overlays below
 - There will be special delivery / servicing transfer instructions for loans with Temporary Interest Rate Buydowns. Please reach out to the Onslow Bay Ops team in advance of delivery for instructions (ops@onslowbayfinancial.com)
- Onslow Bay permits Temporary Interest Rate Buydowns across the Expanded Prime Plus and Sharp (A+/A-) programs. The DSCR Plus and Foreign National Plus programs will be ineligible for Temporary Interest Rate Buydowns
 - Subject to the Eligibility section below, all income verification methods within the Expanded Prime Plus and Sharp (A+/A-) programs are permitted: Full Doc, Streamlined Documentation, Bank Statements, Asset Depletion / Asset Qualifier, 12M PnL/ WVOE
 - Temporary Interest Rate Buydowns are also eligible on Interest Only loans and loans with a 40-year maturity. Correspondents are encouraged to reach out to the Onslow Bay Ops team before underwriting Interest Only loans with a Temporary Interest Buydown

6.1.9 Eligibility

- When qualifying the borrower, loans that have a Temporary Interest Rate Buydown must be qualified at the initial note rate without consideration to the "bought down" rate
- The total dollar amount of the Temporary Interest Rate Buydown must be consistent with the terms of the buydown period
 - A buydown period may not be greater than 36 months
 - A buydown period may not have increases of more than 1% in the portion of the interest rate paid by the borrower in each 12-month interval
- Eligible Transaction Types – The following table lists the transaction types that are eligible and ineligible for temporary buydowns:

Transaction Type	Eligibility
Principal Residence	Eligible
Second Homes	Eligible
Investor Properties	Ineligible
Cash-Out Refinance	Ineligible
ARMs	Restricted

- ARM's and Temporary Interest Rate Buydowns – The following provides parameters pertaining to ARMs subject to temporary interest rate buydowns
 - Must be secured by a principal residence or second home
 - Are only permitted with an ARM plan that has an initial interest rate period of three years or more
 - ARM plans that have an initial interest period of three years must be structured as a 2-1 buydown with a buydown period of no greater than 24 months
 - ARM plans with an initial interest period greater than 3 years can be structured with either a 3-2-1 or a 2-1 buydown

6.2 INELIGIBLE TRANSACTIONS

- Construction Loans
- Builder Bailout & Model leasebacks
- Conversion Loans
- Rent Credits
- Non-Arm's Length
- Lease Option

7 CREDIT ELIGIBILITY

7.1 CREDIT REPORT DETAIL

- A tri-merged in file credit report from all three repositories is required
- A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt
- Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report
 - DTI should be recalculated based on any new debt
 - Any new credit scores must be reviewed for qualifications

7.2 HOUSING HISTORY

- Twelve (12) months housing history is required. Twelve (12) month mortgage / housing history includes all occupancy types – Primary, Second Home and Investment Properties
- For DSCR Plus a credit report or VOM / VOR is required on the subject property (if a refinance) and the borrower's primary residence only
- All mortgages and rental payments should be current at time of closing. If the credit report or VOR / VOM reflects a past-due status, updated documentation is required to verify the account is current
 - This includes loans qualifying through DSCR Plus even if the account showing the delinquency is not the subject or primary residence

- Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR
 - Private Party VORs / VOMs may be considered on a case-by-case basis. Please contact loanscenarios@onslowbayfinancial.com for pre-approval
- LOE or rent-free letter is required when a twelve (12) month housing history is not applicable. If the borrower is a FTHB, rent-free is permitted with no credit exceptions
- Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity

7.3 CREDIT SCORES

- For Non-DSCR programs: To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided.
 - Representative Credit Score of the Primary Wage Earner is used to qualify
 - In the event there are multiple Borrowers that earn identical income, the Representative Credit Score will be the lower score of the applicants
- For DSCR: In cases of equal ownership %, use the lower of the two scores
- Use Highest percentage ownership score for qualifying, even if lower. Highest percentage owner must have a valid score from at least two (2) of the following three (3) agencies: Experian, Trans Union and Equifax
 - In the event where ownership % of additional borrower is unknown, the lower score must be used for qualifying
 - Credit rescoring is not allowed except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescore was performed

7.4 CREDIT REPORT REQUIREMENTS

7.4.1 Tradelines:

- Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) tradelines
- Tradeline activity is not required; can be opened or closed. Eligible tradelines cannot have any derogatory history in previous twenty-four (24) months. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy and authorized user accounts
- Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks / debits)
- Borrower(s) not using income to qualify are not required to meet the minimum tradeline requirements listed above
 - This does not pertain to DSCR loans, where the borrower(s) or guarantor(s) must adhere the tradeline requirements above
- Authorized user accounts must be used to calculate DTI ratio but will not be included in the number of tradelines.

7.4.2 Credit Events:

- Prior Bankruptcies (Chapter 7, 11, 13) are permitted based upon respective Onslow Bay Program Matrix. Multiple bankruptcies are not permitted
- Prior Foreclosure, Short Sale, Deed-in-Lieu, and Modification (due to default), Notice of Default, Lis Pendens, and 120+ days delinquency is permitted based upon respective Onslow Bay Program Matrix
- Borrowers currently enrolled in credit counseling or debt management plans are not permitted
- All Judgments or liens affecting title must be paid

- Non-title charge-offs and collections within three (3) years and exceeding \$5000 (individually or aggregate) must be paid
- Medical collections less than \$15,000 are not required to be paid
- All past due accounts must be brought current prior to closing
- Disputed accounts may require a LOE
- IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property
- All Borrowers must be current on mortgage or rent at loan application
- All derogatory revolving and installment accounts > sixty (60) days within four (4) years of closing require a full explanation
- Delinquent credit belonging to ex-spouse can be excluded if late payments occurred after the divorce / separation, and divorce decree / separation agreement indicates derogatory accounts belong solely to the ex-spouse
- Security freeze – Credit reports may not contain a security freeze and should be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report
- Defaulted timeshares – Timeshares including delinquencies are treated as installment loans and not a housing event

8 INCOME DOCUMENTATION

Unless otherwise noted in the Onslow Bay Program Guidelines or in a specific Onslow Bay Program Matrix, all borrowers should have a two-(2) year income history from employment or other allowable sources. The expectation is that income year over year is stable or shows a trend with a gradual increase. This type of income should be averaged for the borrower(s) gross monthly income used to qualify. A reasonable expectation should be present that the borrower(s) source(s) of income will continue for the foreseeable future.

In cases where a borrower(s) income is declining or shows unusual or unexpected fluctuation, careful consideration must be given to the income being reviewed and the reason for the decline or fluctuation. Proper discretion must be exercised to determine the extent or probability of impairment of the borrower's income and earning ability moving forward. Conservatively, the lesser income should be used when a declining situation is present. A letter of explanation is required from the borrower(s) to support the circumstances. Borrowers that show continued declining income without a reasonable explanation or proof that the trend will not continue are not eligible to use that income for qualification.

Income documented through Alternative Documentation programs may be combined with other income sources that are documented as Full Documentation but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Alternative Documentation, a tax return is not required as this would invalidate the bank statements. Form 4506-C is still required; however, Box 8 should be checked to obtain a transcript of the W-2 earnings only. Combined income documentation types are intended for separate Borrowers on the same loan (husband and wife as example). Cases of combined income types for the same individual are not generally allowed. Please contact loanscenarios@onslowbayfinancial.com for questions or additional information.

8.1 FULL DOCUMENTATION

8.1.1 Wage Earners

- Most recent paystub (most recent thirty (30) day period) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- Two (2) years IRS 1040s or W2's and a Written Verification of Employment (if needed for the analysis of overtime, bonus or commission)
- Borrower(s) qualifying with 1099s must provide two (2) years 1099s
 - Generally limited to single employer and requires employer confirmation of no Borrower job related expenses

- If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied
 - In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.).
 - Most recent check stub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- IRS 1040s are recommended when using other sources of income to qualify i.e., interest dividends, capital gains, note receivable, trust income etc.
- 4506-C W2 transcripts or 4506-C 1099 transcripts (If 1040 transcripts are provided, W2 / 1099 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment (VVOE):
 - Must be completed within ten (10) calendar days of the closing date
 - VVOE should include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title
 - A Borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible for purchase by Onslow Bay

8.1.2 Self-Employed Borrowers

- A Borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation.
- Two (2) years personal & business tax returns (along with all schedules and K-1's) and YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest
- 4506-C 1040 tax transcripts
 - Business tax transcripts not required if net business income is validated on the Borrower's 1040s
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document, that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Independent verification of the business through a third party such as a CPA, regulatory agency, or applicable licensing bureau
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Self-employed paying themselves W-2 or K-1
 - The ordinary income from the borrower's business multiplied by the borrower's ownership % should be used to qualify along with any W-2 wages that they pay themselves. Double-counting is not allowed.
- Declining income – Self-employed
 - Declining income of the last two (2) years may be utilized for qualifying with signed letter of explanation from the Borrower. Lower of the two (2) years would then be used to qualify unless the income has stabilized over the most recent six (6) months

8.2 STREAMLINE DOCUMENTATION (ONE YEAR VERIFICATION OF INCOME)

8.2.1 Wage Earners

- One (1) year IRS 1040 or W2 or one (1) year 1099
 - Generally limited to single employer and requires employer confirmation of no Borrower job related expenses
 - If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied
 - In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.)
- Most recent paystub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- Not permitted as qualifying income – interest, dividends, capital gains, etc.
- 4506-C W2 or 1099 transcripts (If 1040 transcripts are provided, W2/1099 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment (VVOE)
 - Must be completed within ten (10) calendar days of the closing date
 - VVOE should include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title
 - A Borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible for purchase by Onslow Bay

8.2.2 Self-Employed Borrowers

- Borrowers must have at least 25% ownership in the business to qualify
- One year personal and business tax returns (along with all schedules and K-1's) plus a Borrower prepared P&L covering the time period since last tax filing
 - Not permitted as qualifying income – interest, dividends, capital gains, etc.
- If the P&L covers more than nine (9) months, three (3) month bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary
- Borrower will be qualified on the lower of:
 - Monthly average of the net income from the tax return and P&L or
 - Monthly net income from tax return multiplied by 115%
- All Borrowers must also provide evidence that business has been in existence for at two (2) least years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing
- Self-employed Borrower income in a licensed profession (i.e., Medical, Legal, Accounting) will be considered from a business that has been in existence for less than two (2) years, but greater than one (1) year if the Borrower has at least two (2) years of documented previous experience in the same profession, or evidence of formal education in a related field
- IRS form 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying

8.3 ASSET DEPLETION / ASSET QUALIFIER

- Our asset-based programs are designed to meet the Ability to Repay (“ATR”) requirements. This is accomplished by requiring a debt to income (“DTI”) in our Asset Depletion program and the requirement of a residual income calculation in our Asset Qualifier program. The unrestricted liquid assets of both programs can be comprised of stocks / bonds / mutual funds, vested amount of retirement accounts and bank accounts
- For Asset Depletion, the utilization of financial assets will be considered as Borrower income to qualify for their monthly payments
- For Asset Qualifier, the utilization of financial assets will be used to calculate a Borrower’s residual income
- A Borrower using Asset Depletion / Asset Qualifier cannot use other sources of employment income
 - Non employment sources of income will be considered on a case-by-case basis

8.3.1 Program Requirements:

- Asset Depletion / Asset Qualifier will be qualified under the Full Documentation Program Matrix with restrictions outlined in the respective Onslow Bay Program Matrix located in Section 17
- Reserves are not required for the Asset Depletion and Asset Qualifier programs
- Asset Depletion Requirements:
 - Borrowers must have a minimum of the lesser of \$1mm in Qualifying Assets OR must have Qualifying Assets \geq to 125% of the original subject loan amount
 - A borrower must have a debt to income (“DTI”) that qualifies per the respective Onslow Bay Program (Expanded Prime Plus, Sharp (A+))
- Asset Qualifier Requirements:
 - Borrowers must have a residual income greater than or equal to Section 13.3 Residual Income
 - Total post-closing assets must be \geq to 125% of the original subject loan amount
- Not permitted:
 - Cash-Out
 - Gift funds
 - Business Assets
 - Trust Assets
 - Foreign Assets
 - Non-Occupant Co-Borrower

8.3.2 Eligibility

- Borrowers must have a minimum of \$450K in Qualifying Assets across both Asset Depletion / Asset Qualifier
- Assets used for qualifying must be seasoned for one hundred twenty (120) days unless pre-approved by Onslow Bay
- Bitcoin or other forms of cryptocurrency can be utilized as “Qualifying Assets” to the extent the cryptocurrency was converted or liquidated to cash and the cash holding meets seasoning requirements of one hundred twenty (120) days. Cryptocurrency that has not been converted or liquidated to cash (still in cryptocurrency form) cannot be utilized as a Qualifying Asset
- Net Assets:
 - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification
- Qualifying Assets:
 - Net assets multiplied by the following percentages:

- 100% checking / savings / money accounts
- 80% of the remaining value of stocks / bonds / mutual funds
- 70% for all vested retirement assets

8.3.3 Qualifying Income:

- Asset Depletion: Qualifying Assets with utilization draw schedule of seven (7) years (Qualified Assets divided by eighty-four (84)) will be used as qualifying income
- Asset Qualifier: To determine residual income, Qualifying Assets will be divided by eighty-four (84) months. From this number, subtract the Borrower's total monthly debt obligation (total liabilities) to come up with the Borrower's residual income. Do not impute tax deductions when determining residual income. Residual income must meet or exceed Section 13.3 Residual Income

8.4 BANK STATEMENTS

- Bank Statement loans submitted with tax returns or tax transcripts must follow Full Documentation guidelines
- Any loan file using qualifying income from Bank Statements with evidence of tax returns or tax transcripts in the origination file will be ineligible for sale to Onslow Bay
- Borrowers paid 1099 from a single company are not eligible for Bank Statement qualification and must qualify through Section 8.1 or Section 8.2
- Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement option

Documentation Requirements

- Twelve (12) or twenty-four (24) months consecutive, bank statements required
- Any loan submitted with less than twelve (12) months of consecutive bank statements will not be eligible for purchase by Onslow Bay
- Business Narrative (see Self-Employed Business Narrative Form for eligible parties able to complete this form)
 - Business narrative must include details relating to the size / score and operating profile of the business, including the following:
 - Description of Business / Business Profile
 - Location and Associated Rent
 - Number of Employees / Contractors
 - Estimated Cost of Goods Sold if any
 - Materials / Trucks / Equipment
 - Commercial or Retail Client Base
- An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative. Underwriter certification (or notation on the 1008) if there are not returns when attempting an internet search
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing
- Multiple bank accounts may be used
- Co-mingling:
 - Co-mingling of personal and business accounts is not permitted in personal bank accounts. Evidence of comingling will require the loan to be submitted / qualified as a business bank statement loan
 - Two (2) months of business bank statements must be provided to validate Borrower utilizes separate banking accounts
 - Bank statements must be most recent available at time of application and must be consecutive

8.4.1 Personal Bank Statements

8.4.1.1 Documentation Analysis:

- Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
- Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
- Two (2) months of business bank statements are required. These statements should evidence activity to support business operations and reflect transfers to the personal account
 - A borrower who only utilizes a personal account for business activity and does not have an associated business account is eligible to qualify through Section 8.4.2 (Business Bank Statements)
 - Co-mingling of personal and business receipts is not permitted
- If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower
- Declining Income may require an LOE

8.4.1.2 Business requirements:

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must not be less 25% and documented via CPA letter, Operating Agreement, or equivalent
- Borrowers who own more than three (3) businesses must use personal bank statements option

8.4.1.3 Qualifying Income:

- For personal bank statement documentation, it is the lower of the following:
 - Personal bank statement average (total eligible deposits / 12 or 24 months)
 - If a Borrower has declining income and is qualifying with twenty-four (24) months of bank statements, the last twelve (12) months of income will be utilized to qualify
 - Monthly income disclosed on the initial signed 1003

8.4.2 Business Bank Statements

8.4.2.1 Documentation Analysis:

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
- Large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
- Declining Income may require an LOE
- NSF's may require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of 3 NSF occurrences within a twelve-month period are allowed. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve-month period are acceptable. NSF's should be covered with deposits shortly after they are incurred.
- Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring

8.4.2.2 Business Requirements:

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent

- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Minimum 50% business ownership required
- Borrowers utilizing business bank statements that own > 50% but < 100% of a business will be qualified at the net income multiplied by their ownership percentage

8.4.2.3 Income Qualification (Three Options)

Option 1 (Expense Ratio)

- Percentage of gross deposits (twelve (12) or twenty-four (24) months)) using expense ratio factor based on business type and number of employees
- Qualifying income will be the lower of the Expense Ratio formula or monthly income disclosed on the initial signed 1003
- Expense ratio should be reasonable for the profession
- Qualifying income should be multiplied by the Borrowers documented business ownership
- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- Example: Borrower with \$25,000 monthly average deposits multiplied by a 50% expense factor = \$12.5k in qualifying income

Service Business (Offers Services)	Employees		
	0	1-5	>5
Examples of Service Business: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product Business (Sells Goods)	0	1-5	>5
	0	1-5	>5
Examples of Product Business: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor

Option 2 (3rd Party Profit & Loss Statement)

- Qualifying income is the lower of the Profit & Loss ("P&L") net income from the validated third-party prepared P&L or monthly income disclosed on the initial signed 1003
- Businesses qualifying with a P&L statement showing less than a 15% expense ratio will be limited to a 15% ratio. Expense ratio should be reasonable for the profession
- Borrower prepared P&L will not be permitted under any circumstances
- Business Bank Statements are used to validate third-party prepared P&L. Gross revenue listed on P&L must be within +/-10% of the total qualified deposits
- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- Following documentation is required:
 - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)
 - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
 - P&L statement must be prepared by a Tax Professional
 - Tax Professional defined as a Certified Public Accountant ("CPA"), Tax Attorney, Enrolled Agent ("EA"), California Tax Educational Council member ("CTEC") or Paid Tax Professional (PTIN)
 - P&L statement must cover the same months as the bank statements submitted
 - P&L must be signed by the Borrower and the Tax Professional

- Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
- Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business
- Tax Professional must have filed the Borrower's most recent two (2) years business tax returns

Option #3 (3rd Party Expense Ratio)

- Qualifying income is the lower of the 3rd Party Prepared Expense Ratio net income or monthly income disclosed on the initial 1003
- To determine net income, multiple eligible business deposits by the following: (100% minus the Expense Ratio) / 12 or 24 months)
- 3rd Party Prepared Expense Ratio floored at 15%
- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- The Expense Statement must be prepared and signed by a third-party Tax Professional specifying business expense as a percentage of the gross annual sales / revenue
- Self-employed Borrowers who have filed their own business tax returns are ineligible
- Following documentation is required:
 - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)
 - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
 - Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
 - Tax Professional must certify that the Expense Statement represents an accurate summary of the applicable cash expenses of the business
 - Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business
 - Tax Professional must have filed the Borrower's most recent two (2) years business tax returns
 - Tax Professional license must be verified and signed

8.5 12 MONTH PROFIT & LOSS (P&L) AND WRITTEN VERIFICATION OF EMPLOYMENT (WVOE)

8.5.1 12 Month Profit & Loss (P&L)

8.5.1.1 Eligibility

- Self-employed Borrower(s) only. Self-employed Borrower(s) who file their own tax returns are not eligible
- Minimum of two (2) years self-employment in the current profession
 - Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Self-Employed defined as Borrower owning >=50% ownership of respective business
- Ownership percentage must be documented via Certified Public Account ("CPA") / IRS Enrolled Agent ("EA") / California Tax Education Council ("CTEC") letter, Operating Agreement or equivalent
- The CPA / EA / CTEC preparing the P&L must have filed the Borrower's most recent business tax returns

8.5.1.2 Documentation Requirements

- Most recent 12-month Profit & Loss statement (P&L). P&L end date must be less than sixty (60) days old at closing

- All Profit & Loss statements must be completed by an independent CPA / EA / CTEC
- The CPA / EA / CTEC prepared P&L must be signed by both the Borrower and CPA / EA / CTEC
- CPA / EA / CTEC must provide attestation that they prepared Borrower's tax returns and that that are not related to the Borrower or associated with Borrower or Borrower's business
- The CPA / EA / CTEC must attest that they have performed either the following functions:
 - Audited the business financial statements
 - Reviewed working papers provided by the Borrower
- Credit file must contain documentation that the CPA / CTEC license is verified and active. A screen shot of the IRS web site for an IRS Enrolled Agent (EA) is acceptable
- Borrower narrative on nature of business required
- An internet search of the business is required with documentation to be included in the credit file to support existence of the business
- Employment verification documentation must be consistent with information on the loan application and Borrower's credit report
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing

8.5.1.3 Qualifying Income

- Qualifying income is the lower of the 12 Month Profit & Loss statement (P&L) or monthly income disclosed on the initial signed 1003

8.5.2 Written Verification of Employment (WVOE)

8.5.2.1 Eligibility

- Wage earners only
- Two (2) years history of employment in same industry and 1-year continuous employment at current job

8.5.2.2 Documentation Requirements

- A Written Verification of Employment (FNMA Form 1005) can be utilized when the only source of earnings is wages / salary
- FNMA Form 1005 must be fully completed by Human Resources, Payroll Department, or an Officer of the Company. The form must be sent and received directly from the employer
- Verification of delivery and receipt of the FNMA Form 1005 must be in the file
- Verification of delivery and receipt of the FNMA Form 1005 must comprise the following form of documentation: Physical mail, Fed-Ex, facsimile, or email communication. Physical mail, Fed-Ex, and facsimile must come directly from the employer's address. An email communication must properly identify the Company representative
- Borrower(s) employed by a family member or related individuals are not eligible for qualification under the WVOE program
- FNMA Form 1005 must have a twenty-four (24) month history of wage earnings / salary
- FNMA Form 1005 must contain the following:
 - Dates of employment
 - Position
 - Prospect of continued employment
 - Base pay amount and frequency
 - Gross Earnings: year to date plus last two (2) year's earnings, or at least one (1) year earnings if current job is less than two (2) years

- Additional salary information
- Bonus
- Overtime
- Tips
- Commission Income
- Paystubs, Tax Returns, 4506-C, or W-2's not required
- A Verbal Verification of Employment (VVOE) must be performed within ten (10) calendar days prior to the funding date
- A Borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible for purchase by Onslow Bay
- VVOE should include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title. Verbal verification of employment for previous jobs within last two (2) years
- Employment verification documentation must be consistent with information on Borrower's credit report

8.5.2.3 Qualifying Income

- Qualifying income is the lower of the income disclosed on the FNMA Form 1005 or monthly income disclosed on the initial signed 1003

8.6 SUPPLEMENTAL INCOME SOURCES

- Joint Accounts – A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows:
 - If not contributing income / deposits, it must be validated by a Borrower affidavit
 - If contributing income / deposits, source must be clearly identified (direct deposit, SSI, trust income) and amounts must be subtracted from the analysis
 - Relationship letter must be present in file
- Component Sources of Income – A Borrower who has a self-employed business and receives income from other sources is eligible for the bank statement program. Income sources include but are not limited to rental properties, trust & investment, alimony, etc. These income sources must be separately documented on the 1003 and must be separately supported by bank statement deposits

8.6.1 Rental Income

- Reported on tax returns:
 - Must document proof of 100% ownership
 - Schedule E net income should be used (FNMA)
 - Schedule E net income should only be utilized for loans using tax returns to qualify
 - Loans qualifying without tax returns should document rents through the below, "Not reported on tax returns"
- Not reported on tax returns
 - Must document proof of 100% ownership
 - Refinance Transaction:
 - Lease agreement and two (2) months cancelled checks to show proof of rental payments, or if subject is recently rented, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit)
 - Evidence that rent is market rate (free online source is permitted)

- 75% utilized for qualifying income
- If existing lease from seller is transferring to borrower, the lease that predates the mortgage could have a superior claim to the mortgage. The seller is responsible for ensuring clear title and first lien enforceability
- Purchase transactions
- Rental income identified on the 1007 rental schedule for 75% utilized for qualifying income
- Short Term / Variable Rental Income (if STR reported on tax returns, follow Reported on tax returns guidance)
 - Airbnb – AirDNA - VRBO – HomeAway – Acceptable with twelve (12) months evidence of receipt via Service Provider payment receipt history or bank statement deposits
 - 75% of market rent will be used as income if it is supported by the twelve (12) month average (for purchase transactions).
 - For New construction Short Term Rental income must be deemed common & typical for the area per the appraisal and/or property location
 - Requires property ownership report and proof of property listing on Website
 - Income limited to 125% of market rents schedule for long term tenancy
 - Not permitted on primary residence SFRs
 - Must be permitted in accordance with local ordinances

8.6.2 Trust Income

- Income from trusts may be used if constant payments will continue for at least the first three (3) years (or 5) of the mortgage term as evidenced by trust income documentation. 5 years required if income source is >50% of loans total qualifying income
- See section on Ancillary Income for limits on adjusting current distributions and continuance.
- Trust Agreement required confirming amount, distribution frequency, and duration of payments

8.6.3 Alimony Income / Child Support

- Final Divorce decree or legal separation agreement required
- Must provide payment evidence of six (6) months via cancelled checks, deposit slips, or bank records

8.6.4 Note Receivable Income

- Copy of the note confirming amount and length of payment
- Must provide payment evidence of twelve (12) months via cancelled checks, deposit slips, or bank records

8.6.5 Royalty Payment Income

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income –must document a three (3) year continuance
- Must provide payment evidence of twelve (12) months via cancelled checks or bank records / deposits

8.6.6 Retirement Income

- The following types of income documentation is required:
 - Copy of award letter or letters from the organizations providing the income and
 - Most recent two (2) months bank statements showing deposit of funds

8.6.7 Self Employed / Wage Earner Combination –

- Joint Borrowers with one (1) wage earner and one (1) self-employed business owner can verify income separately, with the self-employed Borrower utilizing bank statements or 12 Month Profit & Loss "(P&L)" and the wage earner providing pay stubs / W-2s or WVOE
 - The wage earner 4506-C should include W-2 transcripts only

- Combination scenario must be qualified and priced to the income verification with the highest loan level pricing adjustments (“LLPAs”)

8.7 ADDITIONAL EMPLOYMENT & INCOME

8.7.1 Work History

- A minimum of six (6) months of employment is required unless recently graduated from school or completion of formal training

8.7.2 Employment Gaps

- Borrower should explain any employment gaps exceeding thirty (30) days in the last twelve (12) months and sixty (60) days in the last thirteen to twenty-four (13-24) months

8.7.3 Recently transitioned W-2 to 1099

- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require two (2) years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e., contract
- Borrowers who remained in the same industry, but transitioned from W2 to 1099 with a different company must be in current position for at least one (1) year

8.7.4 Ancillary Non-Employment Income – Continuance

- Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension
- Alimony, child support requires proof of three (3) or five (5) year continuance (5 years if income source is > 50% of loans total qualifying income).
- IRA / Discretionary Retirement Account Distributions / Trust Distribution – Continuance
 - IRA or Trust distributions cannot be set up post application date unless the Borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify
 - Distributions must have been received for prior six (6) months to application to be considered as eligible income. Distributions that have been received for six (6) months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent > 50% of the loans total qualifying income (please note this overlay to Fannie Mae). Please refer to Asset Utilization for Borrowers wishing to draw assets to qualify
 - One of the following types of income documentation is required:
 - Copy of award letter or letters from the organizations providing the income
 - Most recent personal income tax return with all schedules
 - Most recent W2 or 1099
 - Most recent two (2) months bank statements showing deposit of funds

8.7.5 Restricted Stock (RSUs)

- Onslow Bay will only consider restricted stock that was awarded in prior two (2) years and became unrestricted (vested) in the current year. The Vesting Schedule must indicate the income will continue for a minimum of three (3) years at a similar level to the prior two (2) years. Continuance is based on the vesting schedule using a stock price based on the 52-week low for the most recent twelve (12) months reporting at the time of closing. A two (2) year average of prior income received the RSU's or stock option will be used
- The following documentation is required: copy of the vesting schedule, most recent W2 and pay stub
- Stock must be public and listed on major stock exchange

8.7.6 Averaging of bonus / commission, 2 years

- A two (2) year average is required, exceptions can be considered with one-year minimum history of receipt is required and must be likely to continue. Employer to document likelihood of continuance.

8.7.7 Secondary Employment

- Second job income considered stable if received for two (2) years and likely to continue. Must be working both jobs simultaneously, for consideration.

8.7.8 Foreign Sources of Income

- Foreign income is income earned by a Borrower employed by a foreign government / company and not paid in US dollars. Acceptable utilization if the following criteria satisfied:
 - Two (2) years US Tax returns reflect the foreign income
 - Income is translated to US dollars
 - Income documentation, stability and continuance requirements are met
 - Income from countries under OFAC sanctions not permissible

8.7.9 Grossing up nontaxable income

- Non-taxable income to be grossed up 125%

8.7.10 Two-year Business validation – Name change / re-organization

- Considered continuous if business name changes within last two (2) years or restructure (i.e., from sole proprietor to LLC, S-Corp, etc.). Not applicable for DSCR program

9 DEBT SERVICE COVERAGE RATIO (“DSCR”) PLUS PROGRAM, NON-OWNER OCCUPIED ONLY

9.1 DSCR CALCULATION

- A Debt Service Coverage Ratio (DSCR) ratio is required. $DSCR = \text{Gross Rental Income} / \text{PITIA}$ or $DSCR = \text{Gross Rental Income} / \text{ITIA}$ for Interest Only loans
- DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed
- Gross Income will be calculated using the lower of the A) executed lease agreement or B) market rent from applicable Appraisal
- If executed lease agreement reflects a higher monthly rent than Appraisal, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months should be provided
- Airbnb – AirDNA - VRBO – HomeAway Income will be eligible for the DSCR Plus Program
 - Max 70% CLTV & Minimum 1.00x DSCR
 - Permitted for both purchase and refinance transactions. For New construction Short Term Rental income must be deemed common & typical for the area per the appraisal and/or property location
 - Gross rent to be determined by the lower of the market rent disclosed on the appraisal or 12-month short term rental history (12 months required for Refinance Only)
 - Short term rental history to be verified from a third-party property management provider. Information must contain property address / ID specific to subject
- Vacant properties not eligible for Refinance with the exception of properties currently vacant due to the subject property having undergone recent renovation or rehab, with the intention of being rented out soon. Support of this must be provided via the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007 schedule in the property appraisal may be used to qualify
- Any loan where Cash-Out proceeds would be utilized for personal use will not be eligible for the Onslow Bay DSCR Plus program

9.2 RESERVE REQUIREMENTS

- Reserves are calculated off actual P&I payment plus taxes, insurance and HOA fees (PITIA)
- For Interest Only loans, reserves will be calculated off the initial Interest payment, plus taxes, insurance and HOA fees (ITIA)
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- See Onslow Bay DSCR Matrix for specific reserve requirements
- Cash-Out proceeds can be utilized for reserves on loans

9.3 EMPLOYMENT VERIFICATION

- Employment Verification Can be listed but not required on DSCR. Guidance below breaks down all verification options

9.3.1 Wage Earner / Salaried Borrower

- Salaried / wage earner can provide an employment letter on company letterhead signed by an authorized representative of the company
 - Letter should contain date, address, position, and amount of time employed
 - FNMA Form 1005 could also be utilized
- Additional documented verification of employment can be utilized, if reasonable

9.3.2 Self Employed Borrowers

- Self-employed Borrowers / Guarantors can provide a letter from their Tax Professional certifying a minimum of two year's business experience
 - Accountant letter should contain name, address, phone, and license number
 - Tax Professional should provide the above information and include proof of their appropriate licensing information
- Additional documented verification of employment can be utilized, if reasonable

9.3.3 No Employment Verification

- Borrower / Guarantors who do not provide adequate employment verification are still eligible for the Onslow Bay DSCR Plus Program

9.4 PROFESSIONAL INVESTORS

- Onslow Bay DSCR Plus Program is only eligible for Professional Investors
- Professional Investors must have at least twelve (12) months of experience owning and/or managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note
 - First Time Investors are allowed provided that the DSCR is >1.0, the Credit Score is >700 and there are no exceptions on the file
 - First Time Investors MAY NOT be a First Time Homebuyer
- A Letter of Explanation (LOE) by the Borrower / Guarantor is required to detail relevant real estate experience
- Onslow Bay reserves the right to request specific documentation to validate the LOE

9.5 RENT LOSS INSURANCE

- Rent loss insurance for the subject property is required and must equal at least six (6) months of local average monthly rents
- Blanket policies covering the subject property are permitted

9.6 RECOURSE / GUARANTEE

- Personal recourse required
- All Borrower(s) should execute the Onslow Bay Personal Guaranty Agreement if applicable, or similar forms subject to approval by Onslow Bay

9.7 ASSIGNMENT OF RENT

- 1–4 Family Rider / Assignment of Rents must be in origination file (FNMA Form 3170)

9.8 CASH-OUT

- Cash-Out proceeds on a refinance loan are allowed with the following requirements:
 - Borrower must have owned the subject property 12+ months using data of original acquisition and subject loan note date for timing
 - Cash-Out is for Business Purposes only and the borrower must provide an LOE detailing the purpose and use of the proceeds
 - For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the Onslow Bay Business Purpose & Occupancy Affidavit
- All Borrower(s) must execute the Occupancy Certification or similar form subject to Onslow Bay pre-approval
 - Please refer to Onslow Bay Program Matrix for specific details regarding maximum LTV and Cash-Out amounts

10 CROSS COLLATERALIZED LOAN PROGRAM, NON-OWNER OCCUPIED ONLY

The term Cross Collateralized Loan refers to a single mortgage that covers at least two (2) or more properties (max of fifteen (15)). All of the underlying properties will be collateral on the mortgage, and should all be in the same state.

Onslow Bay's Cross Collateralized Loan Program is for Professional Investors seeking a Business Purpose, non-owner-occupied loan collateralized with multiple properties

Correspondents must request access and receive approval to deliver Cross Collateralized Loans

Please refer to Section 17: Onslow Bay Program Matrices for full eligibility guidelines

10.1 DSCR CALCULATION (DEBT SERVICE COVERAGE RATIO)

- A Cross Collateralized Loan DSCR and a Minimum Property DSCR on all underlying properties that comprise the Cross Collateralized Loan will need to be calculated
- Refer to section 8.6.1 Rental Income for clarification of gross rent documentation
- If executed lease agreement reflects a higher monthly rent than the Appraisal, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months should be provided
- Vacant properties not eligible for Refinance with the exception of properties currently vacant due to the subject property having undergone recent renovation or rehab with the intention of being rented out soon. Support of this must be provided via the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007 schedule in the property appraisal, may be used to qualify.
- Any loan where Cash-Out proceeds would be utilized for personal use will not be eligible for the Cross Collateralized Loan Program
- The Allocated Loan Amount for each property will be calculated by taking the Property's Value multiplied by the LTV of the Cross Collateralized Loan
- Onslow Bay will make available a Cross Collateralized Worksheet to correspondents upon request
- Short term rental income is not acceptable in the Cross Collateralized Loan Program

- Cooperatives are not eligible in the Cross Collateralized Loan Program

10.1.1 Minimum Cross Collateralized Loan DSCR of 1.10x

- Gross rental income for all pledged properties / Cross Collateralized Loan PITIA
- If the Cross Collateralized Loan is an Interest Only loan, the calculation will be Gross Rental income for all pledged properties / Cross Collateralized Loan ITIA)

10.1.2 Minimum Property DSCR of 1.10x per each property

- Gross rental income for individual property / Allocated Loan Amount PITIA
- If the Cross Collateralized Loan is an Interest Only loan, the calculation for each property will be gross rent for the individual property / Allocated Loan Amount ITIA

10.2 PROPERTY COUNT

- Minimum of two (2)
- Maximum of fifteen (15)
- All properties must be in the same state

10.3 PROFESSIONAL INVESTORS ONLY

- Borrower(s) must have a history of owning and managing commercial or income producing residential real estate properties for at least twelve (12) months over the last five (5) years
- Borrower(s) must provide satisfactory documentation of experience

10.4 DEROGATORY HOUSING HISTORY

- Borrower(s) are required to have forty-eight (48) months seasoning of any Derogatory Housing Events
- Please see Section 3.2 for clarification for Onslow Bay's definition of Derogatory Housing Events
- Borrower(s) are required to have a clean, primary / owner occupied mortgage pay history
 - 0x30x12

10.5 APPRAISALS

10.5.1 Requirements

- Refer to Section 14.1
- All underlying properties pledged to a Cross Collateralized Loan will be required to have an appraisal

10.5.2 Third Party Appraisal Review

- All underlying properties supporting the mortgage must be submitted to Onslow Bay's fulfillment vendor with a completed third-party review that validates the origination appraisal. Either a Clear Capital – Collateral Desktop Analysis "CDA" or a Stewart Valuation (fka Protek Valuation) – Appraisal Risk Review "ARR" are acceptable. Additional Rating Agency approved vendors may be acceptable with Onslow Bay permission
 - Loans delivered without a third-party valuation report are subject to Onslow Bay ordering a secondary valuation product to ensure the origination value is supported
- The Seller may also utilize Collateral Underwriter (CU) as a secondary valuation for an individual property / property if the CU score is ≤ 2.5 . File must include a copy of the Submission Summary Report
- The Third-Party Appraisal Review final opinion of all underlying property values must be within -10% of the origination appraisal(s)
- Please refer to the Onslow Bay Rate Sheet for fees associated with third party reviews

10.6 PARTIAL RELEASE

- The underlying properties on a Cross Collateralized Loan may be eligible to be released individually (without prepaying the mortgage in full) dependent on the underlying mortgage documents
- Onslow Bay will require at least 120% of the respective Allocated Loan Balance to be paid in full for individual property release requests

10.7 PREPAYMENT PENALTIES

- Where permitted by applicable laws and regulations. Total points, fees and APR may not exceed current state and federal high-cost thresholds
- Onslow Bay does not purchase loans defined as high-cost mortgages under Federal or state law, regardless of the basis for the loan's treatment as such
- Prepayment Penalties, when permitted by applicable law and regulations, should be assessed when the Cross Collateralized Loan prepays in full during the contractual prepayment penalty period or when a partial release payment is made (penalty is based on release price)

10.8 RECOURSE / GUARANTEE

- Personal recourse required
- All Borrower(s) should execute the Onslow Bay Personal Guaranty Agreement if applicable, or similar forms subject to approval by Onslow Bay

10.9 ELIGIBLE PROPERTIES

- Individual properties must have a minimum property value of \$150k
- One Unit Single Family Residences (Attached, Detached and Modular)
- Single Family properties with ADU (Accessory Unit Dwelling) follow FNMA requirements and restrictions
- 2-4 Unit Properties
- PUDs – Attached and Detached
- Townhouses
- Leasehold Properties
- Warrantable Condo
 - Seller may review and approve FNMA warrantable projects. A certification, similar to the Onslow Bay Condominium Project Warranty Certification must be provided with the loan package along with the Onslow Bay Condominium Questionnaire or similar as well as any other documents used to determine eligibility. Seller may request Onslow Bay perform a project review for warrantable projects at an additional charge.
- Maximum 20 acres

10.10 INELIGIBLE PROPERTIES

- Manufactured Homes
- Residential units with ≥ 5 units
- Log Homes
 - Faux Log Homes (properties with a Log Cabin aesthetic, IE Log Cabin siding) may be eligible. Please contact loanscenarios@onslowbayfinancial.com for additional information / pre-approval.
- Condotels
- Cooperatives

- Condominium projects with registration services or restrictions on owner's ability to occupy
- Unique Properties
- Mixed Use Properties
- Builder Model Leaseback
- Boarding Houses
- Agricultural zoned properties (may be considered on a case-by-case basis)
- Hawaii properties located in lava zones 1 and/or 2
- Multiple dwellings on a single lot (legal ADU acceptable, limited to one)
- Group Homes
- Working Farms
- C5 or C6 Property Condition Grades
- Live / Work Condos
- Geodesic Domes
- Earth Berm Homes
- Houseboats
- Homes on Native American Land (Reservations)
- Properties used for the cultivation, distribution, manufacture or sale of Marijuana
- Fractional Ownership / Timeshares
- Assisted Living / Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning Violations
- Properties under Construction
- Theme Park Resort Properties

10.11 BORROWER ELIGIBILITY

- U.S. Citizens and Permanent Resident Aliens only
- Non-Permanent Resident Aliens & Foreign Nationals are ineligible

10.12 LIMITED PARTNERSHIP (LP), GENERAL PARTNERSHIP (GP), CORPORATIONS (CORP.) & LIMITED LIABILITY COMPANIES (LLC)

- Refer to Section 4.7

10.13 ASSIGNMENT OF RENTS

- 1–4 Family Rider / Assignment of Rents must be in origination file (FNMA Form 3170)

10.14 SHORT TERM RENTAL INCOME / AIRBNB

- Not eligible for Cross Collateralized Loan Program

10.15 MERS

- Cross Collateralized Loans are not eligible to be originated or assigned to MERs

11 ASSETS

11.1 DOCUMENTATION

- Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement, or FNMA approved third party direct pull services
- Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves
- Vested Retirement Accounts – 100% may be considered for reserves.
- Bitcoin or other forms of cryptocurrency are permitted for both funds to close and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation
- Assets being used for dividend and interest income may not be used to meet reserve requirements
- If needed to close, verification that funds have been liquidated (if applicable) is required. Follow FNMA guides on liquidation **when used for the down payment or closing costs and when they are used for reserves**
- Gift of Equity is not allowed
- Builder profits are not allowed
- Maximum Interested Party Contributions permitted up to 6%
- Rent credits not permitted
- LOE required for large deposits, as defined by Fannie Mae. DSCR deposits should be in line and consistent with the borrower's overall credit and business profile. If questionable, an LOE should be provided; If LOE is sufficient, sourcing may not be required.

11.2 BUSINESS ASSETS

- Business assets are an acceptable source of funds for down payment, closing costs, and reserves for self-employed borrowers; ALL of the following must be met
- The borrowers on the loan must have a minimum of 50% ownership of the business and must be owners on the business account
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account
- The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
- A signed letter from a CPA or borrower must also be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business; not required on DSCR loans

11.3 GIFT FUNDS

- Gifts from family members, as defined by FNMA, are allowed
- Gift funds cannot be counted towards reserves
- General Requirements:
 - Purchase transactions only
- Gift funds not permitted:
 - Second Homes and Investor properties >80% LTV / CLTV
 - Borrowers utilizing Asset Depletion / Asset Qualifier programs

- Down Payment Requirements:
 - Gift funds are acceptable as 100% down payment for loans <75% LTV / CLTV
 - Gift funds are acceptable for loans ≥75% LTV / CLTV however the underlying Borrower(s) must contribute at least 5% of the transaction (lower of Purchase Price or appraised Value) from their own funds
 - Ex: A \$500,000 purchase price where the LTV / CLTV is going to be 75% or higher would require the borrower to have a \$25,000 of their own funds provided ($\$500,000 \times .05\% = \$25,000$)

11.4 OTHER ASSET SOURCES

11.4.1 Life insurance cash value

- Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves

11.4.2 Foreign Assets

- Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided
- Assets from countries under OFAC sanctions are not permitted

11.4.3 Non-borrowing Spousal accounts / access letters

- Allowable with relationship letter. If the loan is a bank statement loan or 12-month P&L loan, non-borrowing joint account holder affidavit is required to ensure no deposits by that non-Borrower is included as income

11.4.4 Restricted Stock

- Restricted stock is ineligible for to be used for reserves

11.4.5 Sale of Personal Assets

- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting Borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and Borrower's receipt of sale proceeds

11.4.6 Employer assistance

- Employer assistance in the form of a grant, direct fully repayable second mortgage, forgivable second mortgage or deferred payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted. Funds must come directly from the employer, may be used for down payment / closing costs subject to minimum Borrower contributions, may be used for reserves except for unsecured loans and are only eligible for primary residence. Any obligation for the borrower that arises from receipt of this assistance must be included in qualifying the borrower.

11.4.7 1031 Assets

- Funds held by a 1031 administrator / agent are permitted for down payment and closing costs

12 LIABILITIES

12.1 DEPARTING RESIDENCE:

- Departing residence positive rental income cannot be used to qualify. Departing residence PITIA / ITIA can be offset by 75% of projected net rental income or if subject is recently rented, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit). Departing residence rental that produces a loss must be included in DTI

- Borrower qualifying with a departing residence may be subject to additional Early Payoff ("EPO") protection. Please seek pre-approval by contacting loanscenarios@onslowbayfinancial.com. Additional Early Payoff (EPO) protection will not be required in the following cases:
 - Departing residence is being converted to an investment property and the borrower can provide a signed 12-month lease from the new tenant and evidence of payment for some combination of monies received (1st, last and security)
 - Departing residence is under contract for sale with evidence of earnest money deposit and that sale will occur prior to or within 30 days of subject loan funding

12.1.1 Departing Residence Obligation Can Be Excluded (If No Contract in Place):

- Currently listed or signed letter of intent from Borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction
- Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of twenty (20%) equity after deduction of outstanding liens to exclude the payment from the DTI. If less than twenty (20%) equity, the full payment must be included in the DTI
- Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:
 - If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA / ITIA
 - If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA / ITIA

12.1.2 Departing Residence Obligation Can Be Excluded (If Under Contract):

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared / satisfied. The departure transaction must be closing within thirty (30) days of the subject transaction. The pending sale transaction must be arm's length
- No appraisal required for departure residence. The Borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the Borrower may have to bring to closing on the sale of the departure residence

12.2 PROPERTY TAX ESTIMATES FOR NEW CONSTRUCTION

- Property taxes should be calculated using 1.5% of sales price for qualification (1.25% in California). Use of other property tax rates is allowed provided the rates are documented in the file

12.3 STUDENT LOAN

- Student loan payments must be included regardless of deferment or repayment in the DTI ratio. If a payment amount is not identified, 1% of the current loan balance may be utilized
- Affordability based payments may be used

12.4 SOLAR LEASES

- Must conform to FNMA guidelines
- PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible

12.5 PAYOFF OF DEBT TO QUALIFY

- Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with ONE of the following: a Credit supplement, Verification from the creditor liability as paid in full OR Evidence of payoff on Closing Disclosure

12.6 DEBTS PAID BY OTHERS / CONTINGENT LIABILITIES

- Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for twelve (12) months (0x30). Any liability related to a separation or divorce can be omitted if ordered by family court. Documentation from the court is required.

12.7 OBLIGATIONS PAID BY BUSINESS

- Excludable if can be tied to business related activities (i.e., – vehicle) and twelve (12) months (0x30) proof that business pays. Expense must be evident on business financials and the borrowing entity is an individual.

13 UNDERWRITER ANALYSIS

All loan files should contain underwriter worksheets which detail the qualifying income calculations and debt obligations considered or not considered (and reason for exclusion)

13.1 COMPENSATING FACTORS

- A loan that exhibits a credit underwriting exception, should have at least two compensating factors that are not related to the specific exception, that are intended to offset or mitigate the exception. Each loan presents a unique and individual set of circumstances and should be reviewed and considered based on their own content. The following list of possible compensating factors identifies some common types of compensating factors that may apply to a loan.
 - FICO score above program minimum by twenty (20) points or higher
 - DTI below program maximum by 5% points or greater
 - PITIA / ITIA reserves above program minimum by six (6) months or higher
 - Reduction in housing payment by 10% or greater
 - Increase in residual income by 10% or greater
 - Residual income \$1,000 above the program minimum required
 - 0 X 30 X 24-month housing history
 - Five (5) years minimum in subject property
 - Job stability of five (5) years or more

13.2 EXCEPTIONS

- Exceptions to the Onslow Bay Program Seller guidelines will be considered on a loan-by-loan basis. Loans with exception requests should exhibit strong documented compensating factors as seen in 13.1
- Onslow Bay's decision to purchase or deny a loan with a documented exception to the Onslow Bay Program Seller Underwriting Guidelines relates only to a secondary purchase decision
- Onslow Bay's secondary purchase decision does not bind a client with respect to the underlying decision to extend or deny credit

13.3 RESIDUAL INCOME

- Residual income equals Gross Qualifying Income Less Monthly Debt (as included in the debt-to-income ratio)
- If the loan is an HPML, or if the DTI exceeds 43%, Borrowers must have a minimum monthly residual income as required below:

in Household – Required Amount
1 – \$1,500
2 – \$2,500
<i>Add \$150 for additional family members</i>

13.4 DOCUMENTATION AGE

- Unless otherwise stated in this guide, all credit documents including credit report, income docs, and asset statements must be dated no more than ninety (90) days prior to the note date. The note date is utilized for document expiration for all funding types

14 PROPERTY

14.1 APPRAISAL

- All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable
- The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction
- An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent or other interested party is not acceptable
- Assigned appraisals are acceptable, unless ordered by Borrower
- Two appraisals are required to be delivered for either of the following scenarios: loan amounts > \$2,000,000 or HPML flip transactions as defined by the CFPB. Interior photos are required
- Appraisals are good for one hundred twenty (120) days. Any appraisal seasoned greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to one hundred eight (180) days
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
- Appraisals with condition or quality ratings of C5 or C6 will not be eligible for purchase by Onslow Bay
- Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences
- For 2–4 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required

14.2 THIRD PARTY APPRAISAL REVIEW

- Loans should be submitted to Onslow Bay's fulfillment vendor with a completed third-party review that validates the origination appraisal. Either of a Clear Capital - Collateral Desktop Analysis "CDA" or a Stewart Valuation (fka Protek Valuation) - Appraisal Risk Review "ARR" are acceptable. Additional vendors that are Rating Agency approved may be eligible with Onslow Bay permission. Loans delivered without a third-party valuation report are subject to having a report completed to ensure the origination value is supported.
- The Vendor Appraisal Review final opinion of value must be within -10% of the origination appraisal(s)
 - LTVs > 85% must be within 5%
- The Seller may utilize Collateral Underwriter (CU) as a secondary valuation if the score is <=2.5. File must include a copy of the Submission Summary Report.
- Desk review is not required for loans with two (2) appraisals

14.3 FEMA DISASTER AREAS

- Sellers are responsible for identifying areas impacted by disasters and ensuring that that subject property has not been adversely impacted

- A list of federally declared disaster areas may be found on the FEMA website at <http://www.fema.gov/disasters>.
- In addition, when there is knowledge of an adverse event occurring near or around the subject property, including but not limited to earthquakes, floods, tornadoes, or wildfires, additional due diligence is required to determine when the disaster area guidelines must be followed
- Guidelines for disaster areas should be followed ninety (90) days from the incident period ending date or the date the adverse event occurred, whichever is greater

14.3.1 Appraisal Completed Prior to Disaster

- Interior and exterior inspection of the subject property is required
- Appraisal update or final inspection from the appraiser must be obtained
- Damage that impacts the safety or habitability of the property or damage in excess of \$2000 will not be purchased by Onslow Bay

14.3.2 Appraised After Disaster Incident

- Appraiser must comment on the adverse event and any effect on marketability or value
- Damage that impacts the safety or habitability of the property or damage in excess of \$2000 will not be purchased by Onslow Bay

14.3.3 Disaster Incident Occurs After Closing, Prior to Funding

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck will need to be provided to Onslow Bay
- Any indication of damage reflected on the report will require a re-inspection by the appraiser
- Damage that impacts the safety or habitability of the property or damage in excess of \$2000 will not be purchased by Onslow Bay

14.3.4 Verbal Verification of Employment

- Seller must obtain a new Verbal Verification of Employment (VVOE) if the disaster event occurs after the original VVOE was completed
- Borrower should still be employed at the same employer listed on the initial 1003 and continuing to receive the same amount of income

14.4 ELIGIBLE PROPERTY TYPES

- One Unit Single Family Residences (Attached, Detached and Modular)
- Single Family properties with ADU (Accessory Unit Dwelling) follow FNMA requirements and restrictions
- 2–4 Unit Properties
- PUDs – Attached and Detached
- Townhouses
- Leasehold Properties
- Cooperatives (CO-OPs) must be Owner Occupied and meet FNMA requirements
- Maximum of 20 acres
- Warrantable Condo -Full Review Required
 - Seller may review and approve FNMA warrantable projects. certification, similar to the *Onslow Bay Condominium Project Warranty Certification* must be provided with the loan package along with the *Onslow Bay Condominium Questionnaire* or similar as well as any other documents used to determine eligibility. Seller may request Onslow Bay perform a project review for warrantable projects at an additional charge.
- Non-Warrantable Condo-Full Review Required

- Projects may be reviewed by the seller / originator or they may be submitted to the Onslow Bay dedicated diligence vendor for review. Please speak with your respective sales coverage and refer to Section 4 of the Onslow Bay Seller Manual for additional information
- Projects consisting of detached (site) units will not require a project review and are eligible for single family dwelling LTV / CLTV. Two-to-four-unit condominium projects will not require a project review provided the following are met:
 - The priority of common expense assessments applies
 - The standard insurance requirements apply
- **Submissions must include**
 - Onslow Bay Condominium Project Questionnaire or similar document
 - Project current annual budget
 - Current balance sheet (dated within 60 days of review request)
 - Established project certification
 - Documented HO6 insurance coverage
 - Must meet FNMA Presale Ratio Requirements
- **Restrictions to Non-Warrantable Condos include:**
 - Risk stacking of non-warrantable features are not permitted
 - A single owner / entity may not own more than 30% of the units
 - Commercial space must be typical to the market, have no negative impact and comprise 49% or less of project space
 - Investor concentration up to 70%
 - No more than 25% of the total units in the project may be 60 days or more past due on their condo / HOA dues
 - Borrower must carry HO-6 coverage covering the replacement of items inside the unit.
 - If the project is located in a flood zone requiring insurance (per FNMA), both the subject property and complex must have adequate flood insurance
 - Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal.
 - Mandatory dues are not allowed
 - All common areas must be 100% complete
 - HOA should be in control. Projects under builder, developer control will be considered on a case by case basis
 - HOA reserves must demonstrate a minimum of 10%. No exceptions will be considered on this.
 - Projects involved in litigation are acceptable as long as the pending lawsuit(s) are not
 - structural in nature
 - do not affect marketability of the units
 - Potential for damages do not exceed 25% of the HOA reserves OR with documentation from the insurance carrier and attorney representing the HOA or insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance is sufficient to cover the litigation

14.5 INELIGIBLE PROPERTIES

- Manufactured Homes
- Residential units with ≥ 5 units

- Log Homes
 - Faux Log Homes (properties with a Log Cabin aesthetic, IE Log Cabin siding) may be eligible. Please contact loanscenarios@onslowbayfinancial.com for additional information / pre-approval.
- Condotels
- Condominium projects with registration services or restrictions on owner's ability to occupy
- Unique Properties
- Mixed Use Properties
- Builder Model Leaseback
- Boarding Houses
- Group Homes
- Fractional Ownership / Timeshares
- Assisted Living / Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning Violations
- Properties under Construction
- Agricultural zoned properties (may be considered on a case-by-case basis)
- Hawaii properties located in lava zones 1 and/or 2
- Multiple dwellings on same lot (legal ADU acceptable, limited to one)
- Working Farms
- C5 or C6 Property Condition Grades
- Live / Work Condos
- Earth Berm Homes
- Geodesic Domes
- Houseboats
- Homes on Native American Land (Reservations)
- Properties used for the cultivation, distribution, manufacture, or sale of Marijuana
- Theme Park Resort Properties

15 ADDITIONAL GUIDELINE REQUIREMENTS

15.1 ONSLOW BAY SELLER PROGRAM

- The Onslow Bay Seller Program is intended to reference and supplement Fannie Mae's Seller Guide. Originators should refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced herein. To the extent there is a difference in standards between the Onslow Bay Overlays and the Fannie Mae Guides; Originators may rely on the Onslow Bay Overlays

15.2 ABILITY TO REPAY

- All Covered Loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c)

15.3 AGENCY INELIGIBILITY

- All applicable loans are required to have evidence of agency ineligibility
- Documented on the Loan Submission Form (required for every file delivery) or may be satisfied through a DU or LP underwriting findings report in file verifying the loan does not qualify for delivery, or as evidenced on the 1008
- Evidence of agency acceptability is sufficient if evidence Onslow Bay pricing is more beneficial to the Borrower than the comparable agency product

15.4 HIGH COST

- Federal, State, and Local High-Cost Loans are not permitted. Cured High-Cost loans are also not eligible

15.5 FRAUD

- Onslow Bay has a zero-tolerance policy as it related to fraud. A fraud prevention pull is required from Data Verify, Core Logic, SAS or a similar engine

15.6 HAZARD INSURANCE (1-4 UNIT PROPERTIES)

- 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, or the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date.

All other coverages/property types follow FNMA policy

15.7 FLOOD INSURANCE (1-4 UNIT PROPERTIES)

- The minimum amount of flood insurance required for first mortgages must be equal to the lesser of
 - 100% of the replacement cost value of the improvements,
 - the maximum coverage amount available from NFIP, or
 - the unpaid principal balance (UPB) of the loan (or loan amount at the time of origination)

All other coverages/property types follow FNMA policy

15.8 ESCROWS

15.9 MANDATORY ESCROWS FOR TAXES AND INSURANCE WILL BE REQUIRED FOR ALL HPMLS (5 YEARS) AND FOREIGN NATIONAL LOANSESCROW HOLDBACKS

- Escrow holdbacks are not allowed. Onslow Bay will not purchase a loan with an escrow holdback

15.10 ASSUMABILITY

- Fixed rate loans are not assumable
- Adjustable-rate loans may be assumable depending on Note

15.11 MANUAL UNDERWRITE

- All loans must be manually underwritten

15.12 UNIFORM RESIDENTIAL LOAN APPLICATION (URLA)

- All loan applications taken on or after March 1, 2021 (mandatory usage date) must be submitted using the revised URLA

15.13 MAXIMUM FINANCED PROPERTIES

- The maximum number of financed properties to any one Borrower is limited to twenty (20) residential properties (Not applicable for Cross Collateralized Loans)
- Maximum Onslow Bay exposure to single Borrower: \$7.5mm in unpaid principal balance or ten (10) properties (Not applicable for Cross Collateralized Loans)
- Borrower(s) will be required to document an additional two (2) months of reserves for each additional financed property (excludes DSCR Plus and Cross Collateralized Loans). The two (2) months additional reserves are based on the PITIA / ITIA of the respective financed properties subject to a maximum of twelve (12) months reserves for all financed properties (excluding Subject property)
- Borrower(s) will be subject to the Subject Property reserve requirements in addition to financed property reserve requirements (excludes DSCR Plus & Cross Collateralized Loans)

15.14 POWER OF ATTORNEY

- Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA
- Not permitted on Cash-Out transactions

15.15 E-SIGNATURES

- E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, documents that require a Notary signature, Riders / Addendums, and any state regulated disclosures. These documents require a wet signature

16 ONSLOW BAY COVID-19 ADDENDUM

- In response to the ongoing Covid-19 Pandemic, Onslow Bay has instituted the following overlays on the Onslow Bay Seller Program until further notice
- Borrowers who obtained mortgage forbearance after March 1st, 2020 may be eligible depending on payment history after the expiration of the forbearance plan

16.1 REQUIREMENTS / ELIGIBILITY

- Borrower who has requested forbearance across either mortgage or consumer debt since March 1st, 2020 must provide a LOE explaining the reason for forbearance and payment history
- Borrower must not be in an active forbearance plan (must have "opted out" or the plan must have "expired") across either mortgage or consumer debt
- Borrower may have missed at most six payments (D180). Borrowers who rolled >D180 during an initial forbearance plan or subsequent period will not be eligible unless they meet the respective program's Derogatory Housing Event seasoning
- Borrower who received a Rate Modification, Principal Forgiveness Modification, or any modification besides the extension of Term to match the missed forbearance payments will be considered a Derogatory Housing Event and subject to the respective Onslow Bay Program Matrix
- In the event that a Borrower was terminated or furloughed from work for a period of not more than six (6) months, Onslow Bay is requiring Borrowers be employed for at least sixty (60) days with income consistent to previous earnings prior to be terminated
- Under the CARES Act, PPP loan terms allow deferred payments for a specified period. No payments would be expected to be included in the Borrower's liabilities at this time. Once and if it has been determined that any portion of the PPP loan must be repaid, follow requirements for loans paid by a business

16.2 NEVER DELINQUENT

- Borrower who obtained mortgage forbearance after March 1st, 2020 but nonetheless made all their payments and stayed current (MBA methodology) throughout the forbearance plan will not have any restrictions regarding qualifying
- Borrower who "opted out" of their mortgage forbearance plan without missing any payments (stayed current per MBA methodology) will not have any restrictions

16.3 REINSTATEMENT

- Borrower who fully reinstated (made all previous past due payments) upon expiration of forbearance plan will be eligible without restrictions

16.4 REPAYMENT PLAN

- Borrower in a Repayment Plan must be performing under the agreement or have completed the agreement and have made at least four consecutive payments

16.5 PAYMENT DEFERRAL

- Borrower who received a payment deferral must be performing under the agreement and made at least four consecutive payments

16.6 TERM MODIFICATION

- Borrower who received a Term Modification for the length of the forbearance period will be eligible after they have made four consecutive payments. Term modifications in excess of the initial forbearance period will be considered a Derogatory Housing Event and subject to the respective Onslow Bay Program Matrix

17 ONSLOW BAY PROGRAM MATRICES

17.1 ONSLOW BAY EXPANDED PRIME PLUS PROGRAM

FICO & LTV/CLTV Grids		Purchase & Rate / Term Refinance						Cash-Out Refinance					
		Owner Occupied		Second Home		Investment		Owner Occupied		Second Home		Investment	
FICO	Loan Size	Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc
740	<= \$1.0mm	90	90	85	85	85	85	80	80	75	75	75	75
	<= \$1.5mm	85	85	85	80	85	80	75	75	75	75	75	75
	<= \$2.0mm	85	85	80	80	80	80	75	75	70	70	70	70
	<= \$2.5mm	80	80	75	75	75	75	70	70	65	65	65	65
	<= \$3.0mm	75	75	70	70	70	70	65	65	60	60	60	60
	<= \$3.5mm	65	65	60	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
720	<= \$1.0mm	85	85	85	85	85	85	75	75	75	75	75	75
	<= \$1.5mm	85	85	85	80	85	80	75	75	75	75	75	75
	<= \$2.0mm	80	80	80	80	80	80	70	70	70	70	70	70
	<= \$2.5mm	80	80	75	75	75	75	70	70	65	65	65	65
	<= \$3.0mm	75	75	70	70	70	70	65	65	60	60	60	60
	<= \$3.5mm	60	60	60	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
700	<= \$1.0mm	85	85	85	85	85	85	75	75	75	75	75	75
	<= \$1.5mm	85	85	85	80	85	80	75	75	70	70	70	70
	<= \$2.0mm	80	80	80	80	80	80	70	70	70	70	70	70
	<= \$2.5mm	75	75	75	75	75	75	65	65	65	65	65	65
	<= \$3.0mm	70	70	70	70	70	70	60	60	60	60	60	60
	<= \$3.5mm	60	60	60	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
680	<= \$1.0mm	80	80	80	80	80	80	70	70	70	70	70	70
	<= \$1.5mm	80	80	80	80	80	80	70	70	70	70	70	70
	<= \$2.0mm	75	75	75	75	75	75	65	65	65	65	65	65
	<= \$2.5mm	70	70	70	70	70	70	60	60	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.5mm	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
660	<= \$1.0mm	80	80	80	80	80	80	70	70	70	70	70	70
	<= \$1.5mm	75	75	75	75	75	75	70	70	70	70	70	70
	<= \$2.0mm	75	75	70	70	70	70	60	60	60	60	60	60
	<= \$2.5mm	70	70	65	65	65	65	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.5mm	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Income Qualifications			
Grid	Documentation Type	Income Requirements	Considerations
Full Doc	Full Documentation	2 Yrs. W2s or 1040 Tax Returns, YTD Paystub, VVOE or 2yrs 1099. For self-employed borrowers: 2 Yrs. Tax Returns (Business, Personal), K1s, YTD P&L or 1099 Qualification	
	Streamlined Documentation	1 Yr. W2s or 1040 Tax Returns, W2 Transcripts, YTD Paystub, VVOE or 1099 Qualification. For self-employed borrowers, 1 Yr. Tax Return (Business, Personal), K1s, YTD P&L	
	Asset Depletion/Asset Qualifier	Qualifying Assets, 84 Month Amortization for DTI if applicable	Max 85% LTV, Min 700 FICO, No Cash-Out, OO Only
Alt Doc	12M/24M Bank Statement	Personal – 12/24 months consecutive bank statements Business – 3 options to qualify: Expense Ratio (Fixed), Expense Ratio (3 rd party), 3rd Party Prepared P&L	
	12M P&L	CPA/EA/CTEC Prepared (12M P&L)	Max 80% LTV, Min 660 FICO
	WVOE	FNMA Form 1005	Max 80% LTV, Min 660 FICO

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 10/6 ARM, 15 Yr. Fixed, 30 Yr. Fixed, 40 Yr. Fixed (IO)
Loan Amount	\$3.5mm max; \$150k min
Occupancy	Owner Occupied, 2 nd Home, Investment
Max LTV/Min FICO	90%/ 660
Max DTI ⁽¹⁾	55%
Payment History	0x30x12, 0x60x24
Housing Event Seasoning	4+ Years
Interest Only	Eligible (10/20 IO & 10/30 IO), ARMs & Fixed
Interest Only Restrictions	Min 700 FICO, Max 85% LTV

Borrower Eligibility		Property Type	
First Time Homebuyer (FTHB)	No Interest Only (IO)	2-4 Units	Max 85% LTV/CLTV
Non-Occupant Co-Borrower	1 Unit, OO Only, Max 43% DTI, Max 80% LTV/CLTV, No Cash-Out	Warrantable Condos/ Cooperatives	Max 85% LTV/CLTV
Permanent Residential Alien	Eligible, No Restrictions	Non-Warrantable Condos	Max 80% LTV/CLTV
Non-Permanent Resident Alien	Max 80% LTV/CLTV, No Cash-Out	Rural Properties	Owner Occupied and 2 nd Home, No Cash-Out, Max 75% LTV/CLTV
		Declining Markets / Rural Second Home	5% LTV Reduction

ARM Information		Cash-Out Requirements	
ARM Margin	4.00%	LTV >60%	\$750k (Max Cash-Out)
ARM Caps (3/6m), (5/6m)	2/1/5		
ARM Caps (7/6m), (10/6m)	5/1/5		
Reset Period	6 Months	LTV <=60%	Unlimited Cash-Out
Index	30 Day Average SOFR		
ARM Floor	Floor = Margin		

Reserve Requirements	
\$150,000 – \$500,000	6 Months
\$500,001 – \$1,000,000	6 Months
\$1,000,001 – \$2,000,000	9 Months
\$2,000,001 – \$3,000,000	12 Months
Additional Financed Properties	(2) Months Incremental PITIA/ITIA Per Financed Property
Cash-Out Used as Reserves	Allowable

1. Requires Min. FICO of 700, Max LTV of 80%, Primary only, no FTHB and 1.5x residual income.

17.2 ONSLOW BAY SHARP PROGRAM

Sharp A+

FICO & LTV/CLTV Grids		Purchase & Rate / Term Refinance			Cash-Out Refinance		
		Owner Occupied	Second Home	Investment	Owner Occupied	Second Home	Investment
FICO	Loan Size						
740	<= \$1.0mm	90	85	85	75	75	75
	<= \$1.5mm	85	80	80	75	70	70
	<= \$2.0mm	80	75	75	70	70	70
	<= \$2.5mm	75	75	75	65	65	65
	<= \$3.0mm	70	70	70	60	60	60
720	<= \$1.0mm	85	80	80	75	75	75
	<= \$1.5mm	85	80	80	75	70	70
	<= \$2.0mm	80	75	75	70	70	70
	<= \$2.5mm	75	75	75	65	65	65
	<= \$3.0mm	70	70	70	N/A	N/A	N/A
700	<= \$1.0mm	85	80	80	75	70	70
	<= \$1.5mm	80	80	80	75	70	70
	<= \$2.0mm	80	75	75	70	65	65
	<= \$2.5mm	75	70	70	65	N/A	N/A
	<= \$3.0mm	70	N/A	N/A	N/A	N/A	N/A
680	<= \$1.0mm	80	80	80	75	70	70
	<= \$1.5mm	80	75	75	70	65	65
	<= \$2.0mm	75	70	70	65	N/A	N/A
	<= \$2.5mm	70	70	70	60	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A
660	<= \$1.0mm	80	75	75	70	65	65
	<= \$1.5mm	75	75	75	65	60	60
	<= \$2.0mm	70	70	70	60	N/A	N/A
	<= \$2.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A
640	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A
620	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A
600	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$3.0mm	N/A	N/A	N/A	N/A	N/A	N/A

Income Qualifications			
Grid	Documentation Type	Income Requirements	Considerations
Full Doc	Full Documentation	2 Yrs. W2s or 1040 Tax Returns, YTD Paystub, VVOE or 2yrs 1099. For self-employed borrowers: 2 Yrs. Tax Returns (Business, Personal), K1s, YTD P&L or 1099 Qualification	
	Streamlined Documentation	1 Yr. W2s or 1040 Tax Returns, W2 Transcripts, YTD Paystub, VVOE or 1099 Qualification. For self-employed borrowers, 1 Yr. Tax Return (Business, Personal), K1s, YTD P&L	
	Asset Depletion/Asset Qualifier	Qualifying Assets, 84 Month Amortization for DTI if applicable	Max 85% LTV, Min 700 FICO, No Cash-Out, OO Only
Alt Doc	12M/24M Bank Statement	Personal – 12/24 months consecutive bank statements Business – 3 options to qualify: Expense Ratio (Fixed), Expense Ratio (3 rd party), 3rd Party Prepared P&L	
	12M P&L	CPA/EA/CTEC Prepared (12M P&L)	Max 75% LTV, Min 660 FICO
	VVOE	FNMA Form 1005	Max 75% LTV, Min 660 FICO

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 10/6 ARM, 15 Yr. Fixed, 30 Yr. Fixed, 40 Yr. Fixed (IO)
Loan Amount	\$3.0mm max; \$150k min
Occupancy	Owner Occupied, 2 nd Home, Investment
Max LTV/Min FICO	90%/ 660
Max DTI	50%
Payment History	1x30x12, 0x60x24
Housing Event Seasoning	3+ Years
Interest Only	(10/20 IO & 10/30 IO), ARMs & Fixed
Interest Only Restrictions	Min 700 FICO, Max 80% LTV
Interest Only Cash-Out	Permissible

Borrower Eligibility		Property Type	
First Time Homebuyer (FTHB)	No Interest Only (IO)	2-4 Units	Max 80% LTV
Non-Occupant Co-Borrower	1 Unit, OO Only, Max 43% DTI, Max 75% LTV/CLTV, No Cash-Out	Warrantable Condos/ Cooperatives	Max 80% LTV
Permanent Residential Alien	Eligible, No Restrictions	Non-Warrantable Condos	Max 75% LTV
Non-Permanent Resident Alien	Max 75% LTV/CLTV, No Cash-Out	Rural Properties	Owner Occupied and 2 nd Home, No Cash-Out, Max 75% LTV/CLTV
		Declining Markets / Rural Second Home	5% LTV Reduction

ARM Information		Cash-Out Requirements	
ARM Margin	4.50%	LTV >60%	\$500k (Max Cash-Out)
ARM Caps (3/6m), (5/6m)	2/1/5		
ARM Caps (7/6m), (10/6m)	5/1/5		
Reset Period	6 Months	LTV <=60%	Unlimited Cash-Out
Index	30 Day Average SOFR		
ARM Floor	Floor = Margin		

Reserve Requirements	
\$150,000 – \$500,000	3 Months
\$500,001 – \$1,000,000	3 Months
\$1,000,001 – \$2,000,000	6 Months
\$2,000,001 – \$3,000,000	9 Months
Additional Financed Properties	(2) Months Incremental PITIA/ITIA Per Financed Property
Cash-Out Used as Reserves	Allowable

Sharp A-

FICO & LTV/CLTV Grids		Purchase & Rate / Term Refinance			Cash-Out Refinance		
		Owner Occupied	Second Home	Investment	Owner Occupied	Second Home	Investment
FICO	Loan Size						
740	<= \$1.0mm	85	80	80	75	70	70
	<= \$1.5mm	80	75	75	70	65	65
	<= \$2.0mm	75	N/A	N/A	N/A	N/A	N/A
720	<= \$1.0mm	85	80	80	75	70	70
	<= \$1.5mm	80	75	75	70	65	65
	<= \$2.0mm	75	N/A	N/A	N/A	N/A	N/A
700	<= \$1.0mm	80	80	80	70	70	70
	<= \$1.5mm	75	75	75	70	65	65
	<= \$2.0mm	70	N/A	N/A	N/A	N/A	N/A
680	<= \$1.0mm	75	75	75	70	65	65
	<= \$1.5mm	75	70	70	65	65	65
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
660	<= \$1.0mm	75	75	75	65	65	65
	<= \$1.5mm	70	70	70	60	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
640	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
620	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A
600	<= \$1.0mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$1.5mm	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	N/A	N/A	N/A	N/A	N/A	N/A

Income Qualifications		
Grid	Documentation Type	Income Requirements
Full Doc	Full Documentation	2 Yrs. W2s or 1040 Tax Returns, YTD Paystub, VVOE or 2yrs 1099. For self-employed borrowers: 2 Yrs. Tax Returns (Business, Personal), K1s, YTD P&L or 1099 Qualification
	Streamlined Documentation	1 Yr. W2s or 1040 Tax Returns, W2 Transcripts, YTD Paystub, VVOE or 1099 Qualification. For self-employed borrowers, 1 Yr. Tax Return (Business, Personal), K1s, YTD P&L
	Asset Depletion/Asset Qualifier	Not Permissible
Alt Doc	12M/24M Bank Statement	Personal – 12/24 months consecutive bank statements Business – 3 options to qualify: Expense Ratio (Fixed), Expense Ratio (3 rd party), 3 rd Party Prepared P&L
	12M P&L	Not Permissible
	VVOE	Not Permissible

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 10/6 ARM, 15 Yr. Fixed, 30 Yr. Fixed
Loan Amount	\$2.0mm max; \$150k min
Occupancy	Owner Occupied, 2nd Home, Investment
Max LTV/Min FICO	85%/ 660
Max DTI	45%
Payment History	2x30x12, 1x60x24
Housing Event Seasoning	2+ Years
Interest Only	Not Permissible

Borrower Eligibility		Property Type	
First Time Homebuyer (FTHB)	No Interest Only (IO)	2-4 Units	Max 75% LTV
Non-Occupant Co-Borrower	1 Unit, OO Only, Max 43% DTI, Max 75% LTV/CLTV, No Cash-Out	Warrantable Condos/ Cooperatives	Max 75% LTV
Permanent Residential Alien	Eligible, No Restrictions	Non-Warrantable Condos	Max 75% LTV
Non-Permanent Resident Alien	Max 75% LTV/CLTV, No Cash-Out	Rural Properties	Owner Occupied and Second Home, No Cash-Out, Max 75% LTV/CLTV
		Declining Markets / Rural Second Home	5% LTV Reduction

ARM Information		Cash-Out Requirements	
ARM Margin	4.50%		
ARM Caps (3/6m), (5/6m)	2/1/5	LTV >60%	\$250k (Max Cash-Out)
ARM Caps (7/6m), (10/6m)	5/1/5		
Reset Period	6 Months		
Index	30 Day Average SOFR	LTV <=60%	Unlimited Cash-Out
ARM Floor	Floor = Margin		

Reserve Requirements	
\$150,000 – \$500,000	3 Months
\$500,001 – \$1,000,000	3 Months
\$1,000,001 – \$2,000,000	3 Months
Additional Financed Properties	(2) Months Incremental PITIA/ITIA Per Financed Property
Cash-Out Used as Reserves	Allowable

17.3 ONSLOW BAY DSCR PLUS

FICO & LTV/CLTV Grids		DSCR >= 1.00			DSCR >= 0.75			No Ratio DSCR		
FICO	Loan Size	Purchase	Rate / Term Refi	Cash-Out	Purchase	Rate / Term Refi	Cash-Out	Purchase	Rate / Term Refi	Cash-Out
740	<= \$1.0mm	80	80	75	75	75	70	75	75	65
	<= \$1.5mm	75	75	70	70	70	65	70	70	60
	<= \$2.0mm	75	75	60	65	65	60	65	65	60
720	<= \$1.0mm	80	80	75	75	75	70	70	70	60
	<= \$1.5mm	75	75	70	70	70	65	65	65	60
	<= \$2.0mm	75	75	60	65	65	N/A	N/A	N/A	N/A
700	<= \$1.0mm	75	75	70	75	75	65	65	65	60
	<= \$1.5mm	75	75	70	70	70	65	65	65	60
	<= \$2.0mm	70	70	60	65	65	N/A	N/A	N/A	N/A
680	<= \$1.0mm	75	75	65	70	70	60	65	60	60
	<= \$1.5mm	70	70	60	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	65	65	N/A	N/A	N/A	N/A	N/A	N/A	N/A
660	<= \$1.0mm	70	70	65	60	60	60	60	60	60
	<= \$1.5mm	65	65	60	N/A	N/A	N/A	N/A	N/A	N/A
	<= \$2.0mm	60	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 10/6 ARM, 15 Yr. Fixed, 30 Yr. Fixed, 40 Yr. Fixed (IO)
Loan Amount	\$2.0mm max; \$125k min
Occupancy	Investment Property
Max LTV/Min FICO	80%/ 660
Min DSCR	.75x or No Ratio Permissible
DSCR Calculation	Gross Rent/PITIA (P&I), Gross Rent/ITIA (Interest Only)
DSCR No Ratio	Eligible
Payment History	0x30x12
Housing Event Seasoning	3+ Years
Interest Only	Eligible (10/20 IO & 10/30 IO), ARMs & Fixed
Interest Only Restrictions (DSCR >=1.00)	Min 700 FICO, Max 75% LTV
Interest Only Restrictions (DSCR >=0.75)	Min 700 FICO, Max 70% LTV
Interest Only Restrictions (No Ratio)	Not Permissible
Personal Guarantee	Required
Prepay Penalties by State	Permissible by Law

ARM Information		Property Type		Cash-Out Requirements	
ARM Margin	5.00%	2-4 Units	Max 75% LTV	LTV >60%	\$500k (Max Cash-Out)
ARM Caps (3/6m), (5/6m)	2/1/5	Warrantable Condos	Max 75% LTV		
ARM Caps (7/6m), (10/6m)	5/1/5	Cooperatives	Not Allowed		
Reset Period	6 Months	Non-Warrantable Condos	Max 75% LTV	LTV <=60%	Unlimited Cash-Out
Index	30 Day Average SOFR	Rural Properties	Not Eligible		
ARM Floor	Floor = Margin	Declining Markets	5% LTV Reduction		

Reserve Requirements	
\$125,000 – \$500,000	3 Months
\$500,001 – \$1,000,000	6 Months
\$1,000,001 – \$2,000,000	6 Months
Additional Financed Properties Reserves	None
Cash-Out Used as Reserves	Allowable

17.4 ONSLOW BAY CROSS COLLATERALIZED PROGRAM

FICO & LTV/CLTV Grids		Cross Collateralized Loan DSCR & Property DSCR >= 1.10		
FICO	Loan Size	Purchase	Rate / Term Refi	Cash-Out
740	<= \$1.0mm	75	75	70
	<= \$1.5mm	75	75	70
	<= \$2.0mm	75	75	60
720	<= \$1.0mm	75	75	70
	<= \$1.5mm	75	75	70
	<= \$2.0mm	75	75	60
700	<= \$1.0mm	75	75	70
	<= \$1.5mm	75	75	70
	<= \$2.0mm	70	70	60
680	<= \$1.0mm	75	75	65
	<= \$1.5mm	70	70	60
	<= \$2.0mm	65	65	N/A

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 30 Yr. Fixed, 40 Yr. Fixed (IO)
Loan Amount	\$2.0mm max; \$250k min
Min. Property Valuation (Per Property)	\$150k
Occupancy	Investment Property/Business Purpose
Max LTV/Min FICO	75%/ 680
Min Cross Collateralized Loan DSCR	1.10x
Min Minimum Property DSCR	1.10x
Cross Collateralized Loan DSCR	Total Gross Rent/Cross Collateralized Loan PITIA (P&I), Total Gross Rent/Cross Collateralized Loan ITIA (Interest Only)
Minimum Property DSCR	Total Gross Rent for Property/Allocated Loan Amount PITIA (P&I), Total Gross Rent for Property/Allocated Loan Amount ITIA (Interest Only)
Max Property Count	Fifteen (15)
Payment History	0x30x12
Housing Event Seasoning	4+ Years
Interest Only	Eligible (10/20 IO & 10/30 IO), ARMs & Fixed
Interest Only Restrictions	Min 700 FICO, Max 75% LTV
Personal Guarantee	Required
Prepay Penalties by State	Permissible by Law

ARM Information		Property Type		Cash-Out Requirements	
ARM Margin	5.00%	2-4 Units	No Restrictions	LTV >60%	\$500k (Max Cash-Out)
ARM Caps (3/6m)(5/6m)	2/1/5	Warrantable Condos	No Restrictions		
		Cooperatives	Not Allowed		
ARM Caps (7/6m)	5/1/5	Non-Warrantable Condos	Not Eligible	LTV <=60%	Unlimited Cash-Out
Reset Period	6 Months	Rural Properties	Not Eligible		
Index	30 Day Average SOFR	Declining Markets	5% LTV Reduction		
ARM Floor	Floor = Margin				

Cross Collateralized Loan Reserves	
\$250,000 – \$2,000,000	6 Months
Additional Financed Properties Reserves	None
Cash-Out Used as Reserves	Allowable

17.5 ONSLOW BAY FOREIGN NATIONAL PLUS PROGRAM

FICO & LTV/CLTV Grids		QUALIFYING INCOME			FOREIGN NATIONAL (DSCR >1.00)		
FICO	Loan Size	Purchase	Rate / Term Refi	Cash-Out	Purchase	Rate / Term Refi	Cash-Out
680+ FICO	<= \$1.0mm	65	65	60	65	65	60
Foreign Credit	<= \$1.0mm	65	65	60	65	65	60

General Requirements	
Product Type	3/6 ARM, 5/6 ARM, 7/6 ARM, 10/6 ARM, 15 Yr. Fixed, 30 Yr. Fixed
Loan Amount	\$1.0mm max; \$150k min
Occupancy	2nd Home & Investment
Max DTI	45%
DSCR Calculation	Gross Rent/PITIA
Min DSCR	1.00
Housing Event Seasoning	4+ Years
Interest Only	Not Eligible
Max Cash-Out	\$250k
Florida Condo Cash-Out	Max 50% LTV
Minimum Reserves	12 Months PITIA
Personal Guarantee (DSCR Only)	Required
Prepay Penalties (Investment Only)	Permissible by Law

Property Type		ARM Information	
2-4 Units (Investment Property Only)	Max 60% LTV	ARM Margin (2nd Home)	5.00%
Warrantable Condos	Max 60% LTV	ARM Margin (Investor)	5.00%
Non-Warrantable Condos/Cooperatives	Not Eligible	ARM Caps (3/6m), (5/6m)	2/1/5
Rural Properties	Not Eligible	ARM Caps (7/6m)	5/1/5
Declining Markets	5% LTV Reduction	Reset Period	6 Months
		Index	30 Day Average SOFR
		ARM Floor	Floor = Margin

18 COMMONLY REQUIRED FORMS

The forms provided herein and identified in this section, are provided as example forms required for certain loans, in specific instances. Use of the Onslow Bay forms is acceptable when selling a loan to Onslow Bay. Use of the sellers own similar forms or other industry standard forms is also acceptable and is subject to approval of each form by Onslow Bay

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT

Loan Number:

Borrower(s):

Property Address:

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. I have applied for this Loan and am seeking financing for the Property for business purposes only. I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
2. The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit. If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
3. Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding. In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
4. I understand that Lender originating the Loan in reliance upon this Affidavit. If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
5. I understand that the agreements and covenants contained herein shall survive the closing of the Loan.
6. I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property. I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 190
7. 1 *et seq.*) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.

Initial(s):

_____ The Property is not and will not be occupied by me or any member of the LLC or any family member.

Borrower(s) / Borrowing Entity Members:

NOTARY PUBLIC

_____ Date: _____

_____ Date: _____

PERSONAL GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Agreement") dated this [DATE OF PROMISSORY NOTE] day of [MONTH, 202] made by [NAME OF GUARANTOR] ("Guarantor"), for the benefit of [LENDER], having a mailing address of [ADDRESS] ("Lender").

Background

WHEREAS, [BORROWER] ("Borrower") and Lender have executed a Promissory Note of even date herewith (the "Note") in the sum of [AMOUNT IN WORDS] and [00]/100 [\$ NUMERICAL AMOUNT] (the "Loan"). The Loan is secured by, inter alia, that certain Security Instrument (the "Security Instrument"), executed by Borrower in favor of Lender, and encumbering certain real property and any improvements thereon

WHEREAS, as a condition of making the Loan, Lender is requiring this Agreement to be executed, and the making of the Loan to Borrower by Lender is of material benefit to Guarantor. In order to induce Lender to make the Loan evidenced by the Note for the benefit of Borrower, Guarantor is willing to guarantee and become surety for the performance by Borrower of its obligations under the Loan Documents, as more particularly described herein. This Agreement, the Note, the Security Instrument, and any other document executed and delivered in connection with the Loan (as same from time to time may be amended, restated, and extended) are sometimes individually referred to herein as a "Loan Document" or collectively as the "Loan Documents".

CAPITALIZED TERMS WHICH ARE NOT OTHERWISE DEFINED IN THIS AGREEMENT SHALL HAVE THE SAME MEANING AS SET FORTH IN THE LOAN DOCUMENTS.

Agreement

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Guarantor hereby irrevocably, unconditional and absolutely guarantees to Lender and becomes surety for (a) the prompt payment of the principal sum due to Lender from Borrower under the Note at any time and from time to time, together with all interest thereon, (b) the prompt payment of all other sums due to Lender under the terms of the Note and the other Loan Documents and (c) the prompt and complete compliance with and performance by Borrower of all representations, warranties, covenants, agreements and other obligations to Lender under the terms of any and all of the Loan Documents (the payment, compliance and performance obligations hereinabove guaranteed by Guarantor are hereafter collectively referred to as the "Guaranteed Obligations").
2. This Agreement is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Agreement shall remain in full force and effect until all of the Guaranteed Obligations are fully, finally, and irrevocably paid, complied with and performed, and shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lender (or compliance with, or performance of, the Guaranteed Obligations is rescinded) upon the insolvency, bankruptcy, or reorganization of Borrower or otherwise, all as though such payment, compliance or performance had not been made or tendered. This Agreement may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after Guarantor's death (in which event this Agreement shall be binding upon Guarantor's estate and Guarantor's legal representatives and heirs). The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Agreement may be enforced by Lender and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note. Guarantor shall be liable for all of the Guaranteed Obligations.
3. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Guarantor shall immediately pay, comply with, and perform such of the Guaranteed Obligations as Lender shall direct, irrespective of whether the Guaranteed Obligations directed by Lender to be paid, complied with and performed by Guarantor are those which give rise to the Event of Default.
4. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace period set forth therein, Lender shall have the right to require Guarantor to pay, comply with and perform the Guaranteed Obligations

and shall have the right to proceed immediately against Guarantor for such payment, compliance and performance without being required to make any demand upon or bring any proceeding or take any other action of any kind against Borrower, any guarantor under any other guaranty, or any other person or entity in connection with any of the Loan Documents, or resort to or seek to realize upon the security held by Lender, as a condition precedent to bringing an action upon this Agreement against Guarantor, the liability of Guarantor hereunder being a primary obligation of Guarantor and independent of and separate from the liability of Borrower. This Agreement shall be deemed an agreement of suretyship.

5. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Lender may, and is hereby authorized at any time and from time to time, without notice to Guarantor (any such notice being expressly waived by Guarantor and to the fullest extent permitted by law, to set off and apply any and all deposits, general or special, time or demand, provisional or final, at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Guarantor, against any and all obligations of Guarantor now or hereafter existing under this Agreement, irrespective of whether or not Lender shall have made any demand under this Agreement and although such obligations may be contingent or un-matured. Lender agrees to notify Guarantor after such setoff and application made by Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.
6. Until all of the Guaranteed Obligations are completely fulfilled to the satisfaction of Lender and each and every one of the terms, covenants, and conditions of this Agreement are fully performed, the liability of Guarantor under this Agreement shall in no way be released or affected by:
 - a. any act or circumstance which might, but for this paragraph, be deemed a legal or equitable discharge of any guarantor or surety, or
 - b. reason of the alteration, extension, modification, endorsement, release or waiver of any Loan Document or any of the terms, covenants and conditions contained in any Loan Document, or
 - c. reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender or its failure to proceed promptly or otherwise with respect to the Guaranteed Obligations or this Agreement, or
 - d. the commencement, existence or completion of any proceeding against Borrower or otherwise related to the collection and enforcement of the Guaranteed Obligations, or
 - e. reason of any action taken or omitted or circumstance which might vary the risk or affect the rights or remedies of Guarantor with respect to the Guaranteed Obligations or this Agreement. Guarantor hereby expressly waives and surrenders any defenses to its liability hereunder based upon any of the foregoing acts, omissions, agreements, or waivers of Lender, it being the purpose and intent of the parties hereto that the obligations of Guarantor hereunder are absolute and unconditional.
7. Guarantor hereby irrevocably waives any notice of any compromise, forbearance, indulgence, amendment, modification, endorsement, extension, or renewal of any of the Guaranteed Obligations or any of the terms, covenants or conditions of any of the Loan Documents. Guarantor further irrevocably waives notice of (i) any loans or advances made by Lender to Borrower, (ii) acceptance of this Agreement, (iii) the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Documents or in connection with the Mortgaged Property, (iv) the occurrence of any breach by Borrower or an Event of Default, (v) Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vi) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (vii) protest, proof of non-payment or default by Borrower, (viii) the release of all, or any portion, of the collateral for the Loan, and (ix) any other action at any time take or omitted by Lender and, generally, all demands and notices of every kind in connection with this Agreement, the Loan Documents, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and the obligations hereby guaranteed.
8. Guarantor consents to all of the terms, covenants, and conditions of all of the other Loan Documents (all of which are hereby incorporated herein) and any other document governing or relating to any of the Guaranteed Obligations. Guarantor represents and warrants that:
 - a. Guarantor has full power, authority and legal right to execute, deliver and comply with this Agreement, all actions of Guarantor and other authorizations necessary or appropriate for the execution and delivery of and compliance with this Agreement have been taken or obtained and this Agreement constitutes the valid and legally binding obligation of Guarantor enforceable against Guarantor in accordance with its terms.
 - b. No consent, approval, or other authorization of or by any court, administrative agency, or other governmental authority is required in connection with Guarantor's execution and delivery of or compliance with this Agreement.
 - c. The execution and delivery of and compliance with this Agreement by Guarantor will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other document or instrument to which Guarantor is a party, or by which Guarantor or any of Guarantor's property is bound, and such action by Guarantor will not result in the creation or imposition of any lien, charge or encumbrance upon any property of Guarantor in favor of anyone other than Lender.

- d. There is no action, suit or proceeding pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor before or by any court, administrative agency or other governmental authority, or which brings into question the validity of the transactions contemplated hereby.
 - e. Guarantor has not applied or consented to the appointment of a receiver, trustee, or liquidator of itself or any of Guarantor's property, has not admitted in writing Guarantor's inability to pay debts as they mature, has not made a general assignment for the benefit of creditors, been adjudicated a bankrupt, or insolvent or filed a voluntary petition in bankruptcy, nor has a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, and no action has been taken by Guarantor for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of Guarantor or all or a substantial part of the assets of Guarantor, or appointing a receiver, sequestrator, trustee, or liquidator of any of Guarantor's property.
 - f. Guarantor has received and read all of the Loan Documents and the Loan is and will be of direct interest, benefit, and advantage to Guarantor.
 - g. All other representations and warranties relating to Guarantor contained in the Loan Documents are true and correct.
9. Guarantor further represents and warrants that Guarantor's financial statements (the "Financial Statements") heretofore delivered to Lender are true and correct in all material respects, have been prepared in accordance with GAAP, and fairly represent the financial conditions as of the date thereof and for the periods shown therein; that no Material Adverse Change has thereafter occurred in the financial conditions reflected therein; and that the assets shown on the Financial Statements are wholly owned by Guarantor, and are not jointly owned with any other person or entity except as otherwise stated in the Financial Statements. Guarantor covenants and agrees (a) that Guarantor shall notify Lender promptly of any Material Adverse Change; (b) that Guarantor shall deliver to Lender such financial documentation as set forth in the Loan Documents; (c) that Guarantor shall deliver to Lender such other financial information as Lender from time to time reasonably may request; (e) that Guarantor shall maintain complete and accurate books and records and make them available for inspection by Lender as Lender may reasonably request; and (f) that Guarantor will perform and observe all of the other terms, covenants and agreements set forth in the Loan Documents that are required to be performed or observed by Guarantor as a "Guarantor", "Borrower Party" or otherwise.
10. Guarantor shall indemnify and hold Lender and the other Indemnified Parties harmless from and against any and all claims, demands, losses, judgments, liabilities, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) which Lender or the other Indemnified Parties may incur arising out of or resulting from any default of Borrower under the Loan Documents, or enforcement or exercise of any right or remedy granted to the Lender under the Loan Documents.
11. Except as otherwise provided in this Agreement or in any of the other Loan Documents, Guarantor hereby consents and agrees to each of the following and agrees that Guarantor's obligations under this Agreement shall not be released, diminished, impaired, reduced or adversely affected by any suretyship defense and/or any of the following and waives any and all common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:
- a. any notice of Lender's intention to act in reliance on this Agreement or in reliance hereon;
 - b. demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notices of any kind, or the lack of any thereof, including without limiting the generality of the foregoing, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Lender, any endorser or creditor of either Guarantor or any other person whomever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Lender;
 - c. the commencement or prosecution of any enforcement, proceeding, including any proceeding in any court, against Borrower or any other person or entity with respect to any obligations arising out of the Loan Documents;
 - d. any right to require Lender to proceed against any other person or to proceed against or exhaust any security held by Lender at any time or to pursue any other remedy in Lender's power or under any other agreement before proceeding against Guarantor hereunder;
 - e. any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Lender to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;
 - f. any defense based upon an election of remedies by Lender;
 - g. any right or claim of right to cause a marshaling of the assets of Borrower or any Guarantor;
 - h. any principle or provision of law, statutory or otherwise, which is or might be in conflict with the terms and provisions of this Agreement;

- i. any duty on the part of Lender to disclose to Guarantor any facts Lender may now or hereafter know about the Mortgaged Property, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, if being understood and agreed that Guarantor is fully responsible for being and keeping informed of the condition of the Mortgaged Property and of any and all circumstances bearing on the risk that liability may be incurred by Guarantor hereunder;
 - j. any lack of notice of disposition or of manner of disposition of any collateral for the Loan;
 - k. any invalidity, irregularity or unenforceability, in whole or in part, of any one or more of the Loan Documents;
 - l. any lack of commercial reasonableness in dealing with the collateral for the Loan;
 - m. any deficiencies in the collateral for the Loan or any deficiency in the ability of Lender to collect or to obtain performance from any persons or entities now or hereafter liable for the payment and performance of any obligation hereby guaranteed;
 - n. any assertion or claim that the automatic stay provided by 11 U.S.C. §362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower) or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any of its rights, whether now or hereafter required, which Lender may have against Guarantor, if any, or the collateral for the Loan; and
 - o. any modifications of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to Title 11 of the United States Code, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whosoever, now or hereafter in effect, or otherwise.
12. Nothing herein contained is intended or shall be construed to give Guarantor any right of subrogation in or under any of the Loan Documents or any right to participate in any way therein, notwithstanding any payments made by the undersigned under this Agreement, any and all such rights of subrogation and participation being hereby expressly, unconditionally and irrevocably waived and released until the Guaranteed Obligations are fully paid to Lender and satisfied. Guarantor hereby further unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligation for any payment made by Guarantor under or in connection with this Agreement or otherwise.
13. This Agreement shall be a continuing, absolute, and unconditional guarantee regardless of the validity, regularity, enforceability, or legality of (a) any of the Guaranteed Obligations, (b) any collateral securing the Guaranteed Obligations, or (c) any term of any document evidencing or relating to any of the Guaranteed Obligations including the Loan Documents. In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal, or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal, and enforceable in any such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
14. Any notice or communication required or permitted under this Guaranty must be made in writing and sent by (a) personal delivery, (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, addressed to such address as Lender or Guarantor may designate in writing and deliver in accordance with this section. Any change of address will be effective on the 2nd Business Day after notice is given pursuant to the terms of this Section. Any notice or communication sent in accordance with this section will be deemed to be given when received if delivered personally, on the next business day if sent by an overnight commercial courier or two days after the date mailed if sent by certified or registered mail.
15. No modification of this Agreement shall be effective unless in writing and signed by Lender and Guarantor.
16. This Agreement shall be binding upon Guarantor and Guarantor's, heirs, executors, trustees, personal representatives, successors, and assigns (as applicable) and shall inure to the benefit of Lender, its successors and assigns.
17. In this Agreement the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending, or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to "attorneys' fees" shall be deemed to be followed by the words "and disbursements"; and references to sections or exhibits are to those of this Agreement unless otherwise indicated. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.
18. This Agreement shall be construed in accordance with and governed in all respects by the laws of the **PROPERTY STATE** without giving effect to principles governing conflicts of laws.

19. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, THE NOTE, THE SECURITY INSTRUMENT, THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE, LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.
20. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

[Signature Page to Follow]

IN WITNESS WHEREOF, Guarantor has executed this Agreement as of the day and year first above written.

GUARANTOR:

By: _____

STATE OF _____)
) ss.:
COUNTY OF _____)

On the _____ day of _____, 204____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity as _____ for Guarantor and that, by his/her signature on the instrument, the person upon behalf of which the individual acted, executed the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand the day and year first above written.

Notary Public

My Commission expires _____

OCCUPANCY CERTIFICATION

Borrower:

Co-Borrower(s):

Property Address:

City:

State:

Zip Code:

I/We the undersigned certify that:

_____ **Primary Residence** – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/we will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy unless Seller otherwise agrees in writing.

_____ **Second Home** – I/we will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/we will not occupy the Property as a principal resident or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan)

_____ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

REFINANCE ONLY (the following **must** be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Seller to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the **Mortgage** or **Deed of Trust**, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower _____ Date _____

Co-Borrower _____ Date _____

Co-Borrower _____ Date _____

Co-Borrower _____ Date _____

CONSENT OF SPOUSE

I, _____, spouse of _____, acknowledge that I have read the _____, dated as of _____, by _____ (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of _____ ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of _____ ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

[Name of Spouse]

Spouse's Address [Address of Spouse]:

Street: _____

City: _____

State: _____

Zip Code _____

[INSERT NOTARY ACKNOWLEDGEMENT]

SELF-EMPLOYED BUSINESS NARRATIVE FORM

This form to be completed by an individual (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical persons submitting this form would include: Controller, Treasurer, V.P. Finance, Finance Manager, Accounting Manager or Human Resources Manager. This form can also be completed by a third- party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent. If the file does not contain or require a CPA prepared P&L, the underwriter will use this narrative to evaluate the reasonableness of expenses listed for the business.

Business Name and Legal Structure (Partnership, Corporation, Limited Liability Company etc.):

Date Business Started:

Percentage of Business Owned:

Description of Business / Business Profile (Identify if Commercial or Retail client base):

Business Location and Associated Rent:

Is location in a commercial or residential dwelling?

Number of Employees (E) or Contractors (C):

Does Business Provide Sales of Goods, Services or Both? If Goods provide estimated cost of goods:

Materials / Trucks / Equipment / Other:

Business Analysis:

Additional Information to provide underwriting for consideration during their analysis:

I/We hereby certify that the information provided in this form is true, accurate and complete. I/We understand that any misrepresentation made in this document may result in the loan application being declined.

Date:

Title:

Signature:

Name:

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name:

Project Address:

City:

State:

Zip Code:

Phase:

Borrower Name:

Subject Address:

City:

State:

Zip Code:

Seller Name:

Loan Number:

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Seller representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review, including review of all required documentation for the project type.

Project Type: Established New 2–4 Unit

Project Documents reviewed include:

- _____ Condo Questionnaire
- _____ Current annual HOA/Project Budget
- _____ Current Balance Sheet
- _____ Evidence of Project Insurance
- _____ Project legal documents as required by Project type

Seller certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Seller Representative certifies that all appropriate documentation has been examined and that the Representative and Seller warrant that the project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

Signature of Seller Representative certifying:

Name of Seller Representative

Title of Seller Representative

Date of Certification:

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name		Year Project Built	
Name of Homeowners Association (HOA)		Total Number of Units	
Project Address (not subject Condo)		Total Number of Phases	
Is project 100% complete including all units, common elements, and amenities, and not subject to additional Phasing?			
If no, please provide an explanation			

PROJECT INFORMATION

Total number of units sold and conveyed to unit purchasers	
Total number of units retained by developer	
Total number of units sold by developer	
Total number of units currently for sale (including units owned by developer/builder and unit owners)	
Total number of units Owner Occupied	
Total number of units Second Home	
Total number of units that are Investment Property (rented or leased), including units owner by builder/developer	
Is project a condominium hotel or motel?	
Is project a timeshare or segmented ownership project?	
Is project a houseboat project?	
Is project a multi dwelling unit condominium (in which multiple units are evidenced by a single deed and mortgage)?	
Is the project an Investment Security?	
Is the project a common interest apartment or community apartment project?	
Is project a Cooperative?	
Is the project a Planned Unit Development (PUD)?	
Is the project a manufactured Housing project?	
If yes, does the project only consist of single width manufactured housing units?	
Is the HOA named as a party to any pending litigation?	
If yes, please provide a letter from the HOA on their letterhead disclosing the nature and status of the litigation. Please take note that a letter from the attorney representing the HOA may be required if further clarification is needed.	
Is the developer named as a party to pending litigation involving this project?	
If yes, please provide a letter from developer's attorney disclosing the nature and status of litigation	
Is any part of the project used for non-residential (Commercial) purposes?	
If yes, what percentage of square footage is used for non-residential purposes?	
If yes, what is the non-residential space used for?	
Does any single entity (individual, partnership, investor group, Corporation, etc.) own more than 10% of the total units in the project?	
Have at least 90% of the total units in the project been conveyed to unit purchasers?	
Has control of the HOA been turned over to the unit purchasers?	
If yes, provide date transfer occurred.	
Are there any monthly assessments delinquent by more than 30 days?	
If yes, please provide the number of units that are delinquent, and the total dollar amount outstanding.	
What are the monthly HOA fees for the project? If amounts vary, provide range.	

Does the HOA budget provide adequate funding for the proper management and operation of the project?

If no, please provide detail

Does the HOA budget provide funding for replacement reserves of at least 10% of the budget for capital expenditures and deferred maintenance?

What amount is currently held in reserve for future repair and/or replacement of major components of the project?

What was the HOA reserve account balance as of the end of the most recent quarter?

Does the HOA budget provide adequate funding for insurance deductible amounts?

Is hazard insurance in place to cover 100% of the insurable replacement cost of the project improvements including individual units

Is liability insurance in place providing at least One Million Dollars (\$1,000,000) of coverage for bodily injury and property damage per occurrence?

Is flood insurance (if required) in place providing coverage of at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under NFIP?

Is fidelity insurance in place covering the maximum amount of funds that will be in custody of the HOA or Management Company at any time (required if project is 20 or more units)?

Does the project have attached units?

Is the project managed by a hotel or motel, even though the units are individually owned?

Does the project restrict owners to occupy their units?

Does the project have mandatory rental pooling agreements that require the unit owners to either rent their units or give a management firm control over the occupancy of the units?

Does the project include registration services and offer rentals daily?

Does the project have any non-incidental business operation owned or operated by the HOA?

Is the project a hotel or motel conversion

Are the units in the project owned in either fee simple or leasehold title

Does the HOA require automatic, non-severable membership for each individual unit owner, and provide for mandatory dues/assessments?

Are all of the facilities related to the project owned by the unit owners or the HOA?

Has the developer retained any ownership interest in any of the facilities related to the project?

Are the amenities and facilities including parking and recreational facilities, subject to a lease between the unit owners and the HOA or any other party?

Does the project contain one or more units with less than 400 square feet?

Do the units have separate metering?

If no, is it common and customary in the local market where the project is located?

If no, does the project budget include adequate funding for utility payments?

Do the units owners in the project have sole ownership interest in, and rights to use of the project's facilities, common elements and limited common elements?

Is the project managed by an independent management company?

If yes, what is the name of the company?

If yes, are the contract terms between the HOA and the Management Company reasonable and equitable?

If the project is managed by an independent professional management company, does the contract between the HOA and management company have a termination provision that requires a penalty payment or advance notice of termination of more than 90 days?

Is the project located on one contiguous parcel of land (aside from being divided by a public street if applicable)?

Are the structures within the project within reasonable distance from each other?

Are the common areas and facilities consistent with the nature of the project and competitive in the marketplace?

Are there any circumstances or conditions that would adversely affect the value, condition or marketability of units contained within the project?

If yes, please explain

If the project is a 2-4-unit condominium project, the following must also be answered

How many units are in the project?

Does one person or entity own more than one unit within the project?

Are all of the units, common elements and facilities within the project, including those that are owned by any master association 100% complete?

Are the unit owners the sole owners of, and have rights to the use of the project's facilities, common elements and limited common elements?

How many units are owned as principal residence or second home?

Any pending or levied assessments by HOA?

If yes, total amount

If yes, per unit amount (range is acceptable)

If yes, term

If yes, balance

If yes, is work completed?

If yes, provide brief description

Does HOA have any knowledge of any environmental factors affecting the project as a whole or any individual units?

If yes, please explain

Is there more than one association within the project covered by a master association or umbrella association?

If yes are amenities, common elements, and limited common elements available through Master Association

Are there any common amenities, or recreational facilities to be built in the future?

If yes, please explain

Does project contain any units with resale or deed restrictions?

If a unit is taken over in foreclosure, will the mortgagee be liable for more than 6 months of unpaid dues?

Does the HOA require more than one member to sign all checks written from operating and reserve accounts?

This questionnaire must be completed, signed, and dated by the HOA representative.

I the undersigned certify that to the best of my knowledge and belief the information and statements contained on this form are true and correct.

HOA Name:

HOA Taxpayer ID:

Date:

HOA Representative:
(sign and print)

Signature

Print

HOA Representative Telephone:

HOA Representative Email:

Management Company:

LOAN ELIGIBILITY REVIEW FORM

Borrower Name: _____

Loan Number: _____

- ☐ Borrower DOES NOT qualify for FHA / FANNIE MAE / FHLMC loan programs
- ☐ Borrower DOES qualify for FHA / FANNIE MAE / FHLMC loan program
(Borrowers who qualify are not eligible for Onslow Bay Financial mortgage programs)

Please list reasons the loan is not eligible for FHA / FANNIE MAE / FHLMC loan program
(Attach DU / LP Findings for support as applicable):

- _____
- _____
- _____
- _____

Underwriter Name: _____

Underwriter Signature: _____

Date of Review: _____

BORROWER CONTACT CONSENT FORM

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

Same as the subject property.

Please use this mailing address instead:

Address Line 1:				Apt. #:
Address Line 2:				
City:		State		Zip Code:
Country:				

Cell Phone Number:

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

	<i>Within the United States</i>	<i>If you reside outside the United States</i>
Borrower:	() –	() –
Co-Borrower:	() –	() –
	(Area Code) Phone Number	(Country Code) Phone Number

Email Address:

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower:	
Co-Borrower:	

Signature(s):

Borrower:	
Co-Borrower:	

ONslow BAY FINANCIAL LOAN EXCEPTION FORM

Seller Name:		Borrower Last Name:	
Seller Email:		Borrower Loan ID:	
Seller Contact Number:		Property City:	
Seller NMLS ID:		Property State:	
Loan Term:		Loan Amount:	
Interest Only:		LTV:	
Property Type:		CLTV (if Applicable):	
Property Value:		FICO Score:	
Appraisal or Estimated:		DTI (if Applicable):	
Occupancy:		DSCR (if Applicable):	
Transaction Type:		Reserves (Months):	
Program:		Residual Income:	
Income Documentation:			
Rate (per Onslow Bay Rate Sheet):		Cash-Out Amount (if applicable):	
Price (per Onslow Bay Rate Sheet):			
The Final Price after applying the Exception LLPA must be greater than or equal to the Minimum Price			

Exception Summary

Compensating Factors

Onslow Bay Decision:	<input type="checkbox"/> Approved	<input type="checkbox"/> Conditioned	<input type="checkbox"/> Declined
Onslow Bay Date:		Onslow Bay by:	
LPA Required for:		LPA Adjustment:	
LPA Required for:		LPA Adjustment:	
Onslow Bay Comments			

This signed form must accompany fully closed files when delivered for underwriting review in order to have any approval identified by underwriting. Failure to deliver this form will result in possible delays in funding.

PLEASE READ THIS CAREFULLY. BY SUBMITTING THIS FORM, YOU AGREE THAT YOU HAVE READ, UNDERSTAND AND AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS. THESE TERMS AND CONDITIONS ARE ENFORCEABLE LIKE ANY WRITTEN NEGOTIATED AGREEMENT SIGNED BY YOU. YOU AGREE THAT ANY OF YOUR AGENTS, REPRESENTATIVES, EMPLOYEES, OR ANY PERSON OR ENTITY ACTING ON YOUR BEHALF SHALL BE BOUND BY, AND SHALL ABIDE BY, THESE TERMS AND CONDITIONS. YOU AGREE THAT YOU ARE BOUND BY THESE TERMS AND CONDITIONS WHETHER YOU ARE ACTING ON YOUR OWN BEHALF OR ON BEHALF OF A THIRD PARTY.

By submitting this Loan Exception, Seller certifies that:

1. Seller has made, or is making, its own credit decision with respect to the loan to the Borrower, regardless of whether Onslow Bay Financial LLC approves or declines to approve the exception requested herein.
2. None of Onslow Bay Financial LLC, its directors, officers, employees, agents, or contractors, or any of its affiliates has influenced, or will influence, Seller's credit decision with respect to the loan to the Borrower by (a) indicating whether it will approve or decline to approve the exception requested herein, (b) indicating whether it will purchase the loan if Seller originates and closes the loan, or (c) any other action or statement, and

If Seller has closed, or in the future does close, the loan to the Borrower, Seller did, or will, fund the closing of the loan with funds from a source other than Onslow Bay Financial LLC or any of its affiliates.

CUSTODIAL DOCUMENTS (CROSS COLLATERALIZED LOAN ADDENDUM)

- One of more of the following documents (Note, Loan Agreement, Mortgage, Assignment of Rents) for Cross Collateralized Loans must include the following language:
 - Notwithstanding anything to the contrary in this Security Instrument, if the Loan is held by a “real estate investment conduit” (a “REMIC”) within the meaning of Section 860D of the Internal Revenue Code of 1986, as amended (the “Code”), and following the release of any real property collateral the ratio of the value of the real property collateral securing the loan is greater than 125% (based solely on the value of the real property and excluding personal property or going concern value, if any, as determined by Lender in its sole discretion, using any commercially reasonable method permitted to a REMIC under the Code) to the outstanding principal balance of the loan (such amount, the “REMIC LTV”), then Borrower shall pay down the principal balance of the Loan by an amount equal to the greater of (A) the amount of principal required to be paid pursuant to this Section 23 above and (B) the least of the following amounts: (1) if the released property is sold in an arm’s length transaction with an unrelated third party, the net proceeds of such sale; (2) the fair market value of the released property at the time of the release, as determined by Lender in its sole discretion using any commercially reasonable method permitted to a REMIC under the Code; and (3) an amount such that the REMIC LTV does not increase due to the release.
- The original executed Mortgage Note endorsed to blank.
- An original or copy of each guarantee (if any) executed in connection with the Mortgage loan
- An original or copy of the loan agreement
- Recorded originals or recorded copies of all assumption, modification, consolidation or extension of mortgage agreements (if any)
- As applicable, recorded copies of all UCC Financing Statements and all necessary UCC continuation statements, referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- An original or copy of the environmental indemnity agreement (if any)
- The originals or copies of all lockbox agreements, cash management agreements or legal opinions (if any) relating to such loan
- An original omnibus assignment executed in blank by the Owner (if any)
- An original or copy of the survey of each Mortgaged Property (if any)
- As applicable, the original or copy of the pledge agreement
- The recorded original or recorded copy of Mortgage referencing, in each case, the borrower name and Parcel Number or street address, city and state (excluding zip code) for each related Mortgaged Property
- The original of each assignment of Mortgage executed in blank by the Owner and referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- The recorded originals or recorded copies of all intervening assignments of Mortgage, evidencing a complete chain of assignment and transfer from the related originator to the Owner and referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- The recorded original or recorded copy of each Assignment of Leases and Rents referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- The original of each assignment of Assignment of Leases and Rents executed in blank by the Owner and referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- The recorded originals or recorded copies of all intervening assignments of Assignments of Leases and Rents, evidencing a complete chain of assignment and transfer from the related originator to the Owner, and referencing, in each case, the Parcel Number or street address for each related Mortgaged Property
- The original or copy of the attorney’s opinions of title and abstracts of title, or the original or copy of the mortgage title insurance policies, or the original or copy of the binding pro forma policies attached to the purchased loan closing escrow letter, referencing, in each case, the Parcel Number or street address for each related Mortgaged Property.