



TITAN

FLEX

PROGRAM GUIDELINES AND MATRICES

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Section 1 – Overview & Underwriting Criteria

This Product Eligibility Policy outlines the parameter requirements for residential mortgage loans submitted to Orion Lending. This document is an integral part of the loan underwriting review process and should be reviewed in conjunction with all potential findings.

All loans will be examined and evaluated to determine whether the proposed loans generally conform to these guideline parameters. The qualifying specifications and procedures are meant to serve as a principal foundation to qualify, and each borrower will be reviewed in its entirety on an individual basis.

The Orion Lending guidelines are intended to reference and supplement Fannie Mae's Seller Guide. Refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced in the guidelines.

Section 2 – Underwriting Criteria

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). Federal, State, and Local High-Cost Loans are not permitted.

Statement on Suitability

All loans are required to have evidence of agency ineligibility. This may be satisfied through a DU[®]/DO[®] or LPA[®] underwriting findings report in file verifying the loan does not qualify for delivery, or as evidenced on the 1008. Alternatively, Orion Lending will accept a pricing engine printout evidencing more favorable pricing to benefit the borrower.

Age of Documents:

- Credit – 120 days prior to note date
- Income – 120 days prior to note date
- Assets – 120 days prior to note date
- Appraisals are good for 120 days from effective date to note date. Any appraisal seasoned greater than 120 days will require a recertification of value. A recert of value extends the original appraisal expiration date up to 180 days from effective date to note date. Appraisals > 180 days from effective date will require a new appraisal.

Loan Exceptions

- Exceptions will be reviewed per file on a case-by-case basis. Upon approval, exceptions may incur an additional LLPA and/or a price cap to be determined at time of exception approval

Section 3 – Product Eligibility

3.1 Programs

- **Full Doc** – [Section 9](#)
 - 2 years income documentation
- **12 months Personal or Business Bank Statements** – [Section 10](#)
 - Borrowers who are using more than 3 separate bank accounts must qualify using Personal Bank Statements
- **12 or 24-month CPA P & L** – [Section 11](#)
- **Express Doc** – [Section 13](#)
 - 1 year income documentation
 - Wage Earner or Self Employed
- **Asset Utilization** – Drawdown of liquid assets to determine qualifying income – [Section 14](#)

3.2 Eligible Products

Product	Amort Term	Index	Margin	Caps	Qualifying Rate	Program Codes
30 Yr. Fixed	360	NA	NA	NA	Note Rate	NQMF30
30 Yr. Fixed I/O	240	NA	NA	NA	Qualifying Rate and term that equals the amortization term (i.e., 360 months for 40 yr. I/O)	NQMF30 I/O
40 Yr. Fixed	480	NA	NA	NA	Note Rate	NQMF40
40 Yr. Fixed I/O	360	NA	NA	NA	Qualifying Rate and term that equals the amortization term (i.e., 360 months for 40 yr. I/O)	NQMF40 I/O
5/6 ARM	360/480	30 – day SOFR	4%	2/1/5	The greater of the Note Rate or the Fully Indexed Rate (rounded to the nearest .125)	NQMA5/6
5/6 ARM I/O	240/360 ¹	30 – day SOFR	4%	2/1/5	Qualifying Rate and term that equals the amortization term (i.e., 360 months for 40 yr. I/O)	NQMA5/6 I/O
7/6 ARM	360/480	30 – day SOFR	4%	5/1/5	The greater of the Note Rate or the Fully Indexed Rate (rounded to the nearest .125)	NQMA7/6
7/6 ARM I/O	240/360 ¹	30 – day SOFR	4%	5/1/5	Qualifying Rate and term that equals the amortization term (i.e., 360 months for 40 yr. I/O)	NQMA7/6 I/O

¹Interest Only Period

- 40 Year Interest Only = 10 year I/O, 30-year amortization
 - Max 80% LTV
- 30 Year Interest Only = 10 year I/O, 20-year amortization
 - Max 85% LTV

3.3 Available Buydown Products	<table><tr><th>Product</th><th>Amort Term</th><th>Index</th><th>Margin</th><th>Caps</th><th>Qualifying Rate</th><th>Program Codes</th></tr><tr><td>30 Yr. Fixed</td><td>360</td><td>NA</td><td>NA</td><td>NA</td><td>Note Rate</td><td>NQMF30 BD 1/0, NQMF30 BD 2/1</td></tr><tr><td>40 Yr. Fixed</td><td>480</td><td>NA</td><td>NA</td><td>NA</td><td>Note Rate</td><td>NQMF40 BD 1/0, NQMF40 BD 2/1</td></tr></table>	Product	Amort Term	Index	Margin	Caps	Qualifying Rate	Program Codes	30 Yr. Fixed	360	NA	NA	NA	Note Rate	NQMF30 BD 1/0, NQMF30 BD 2/1	40 Yr. Fixed	480	NA	NA	NA	Note Rate	NQMF40 BD 1/0, NQMF40 BD 2/1
Product	Amort Term	Index	Margin	Caps	Qualifying Rate	Program Codes																
30 Yr. Fixed	360	NA	NA	NA	Note Rate	NQMF30 BD 1/0, NQMF30 BD 2/1																
40 Yr. Fixed	480	NA	NA	NA	Note Rate	NQMF40 BD 1/0, NQMF40 BD 2/1																
3.4 Temporary Buydowns	<ul style="list-style-type: none">• Eligible Buydown Option<ul style="list-style-type: none">◦ 1/0 buydown◦ 2/1 buydown• Owner Occupied Purchase only• 30/40 yr. Fixed Rate Only• Seller or Builder paid buydowns allowed<ul style="list-style-type: none">◦ Third Party (RE Agents, Etc.) and/or Borrower paid buydowns are not eligible• Borrower must qualify at the Note Rate<ul style="list-style-type: none">◦ If reserves are required, the reserves must be calculated using the permanent Note Rate payment• Borrower(s) and Seller/Builder are required to sign the Temporary Buydown Agreement at closing• The percentage of funds must be included in the interested party contribution limit<ul style="list-style-type: none">◦ To calculate the percentage of the buydown fund contribution, divide the buydown fund total by the purchase price• Buydown calculator																					
3.5 Minimum Loan Amount	<ul style="list-style-type: none">• Minimum Loan amount: \$125,000• Maximum eligible loan amount is \$3,500,000																					
3.6 Interest Only	<p>Interest Only Requirements:</p> <ul style="list-style-type: none">• Minimum FICO - 700• Purchase<ul style="list-style-type: none">◦ Max 85% LTV/CLTV• Rate/Term and Cash Out<ul style="list-style-type: none">◦ Max 80% LTV/CLTV																					

3.7 HPML	<ul style="list-style-type: none"> Escrows for taxes and insurance will be required for 5 years. A variance of 20% is allowed with additional documented compensating factors – Section 18.17 Two appraisals are required to be delivered for flip transactions as defined by the CFPB – see Section 7.13 for additional information
3.8 Qualification Options	<ul style="list-style-type: none"> Interest Only <ul style="list-style-type: none"> Qualify at the note rate based on fully amortizing Principal and Interest payment during the principal repayment period <ul style="list-style-type: none"> Interest Only payment cannot be used to qualify Qualify based on a term that equals the amortization term (i.e., 360 months for 40 year I/O)
3.9 DTI	<ul style="list-style-type: none"> > 85% LTV/CLTV <ul style="list-style-type: none"> 45% ≤85% LTV/CLTV <ul style="list-style-type: none"> 50%
3.10 Residual Income	<ul style="list-style-type: none"> HPML requires Residual Income per household size: <ul style="list-style-type: none"> 1 person: \$1,550 2 persons: \$2,500 Add \$150 per additional household member 20% variance is allowed with documented compensating factors (Section 18.17) Not required on non-Owner properties
3.11 Prepayment Penalty	<ul style="list-style-type: none"> Standard Prepayment Penalty Term – 1, 2, 3, 4, or 5 years (see rate sheet for details) <ul style="list-style-type: none"> PPP can be bought out, see rate sheet The following states do not allow a PPP and are to be priced as No PPP <ul style="list-style-type: none"> AK, KS, KY, MI, MN, NM, OH, RI IL, NJ <ul style="list-style-type: none"> Prepay penalties are only allowed on loans to Corporations, LLCs, or Partnerships Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For the calendar year 2024, the amount is \$312,159 Prepay penalties are only allowed on loans >\$1MM: VT Only declining prepayment penalty structures are allowed in LA & MS Prepayment Penalty Calculator

Section 4 – Product Matrix (Full Doc, Express Doc, Bank Statements, P & L⁵, & Asset Utilization)

**4.1 Purpose –
Primary Residence
& Second Home**

PRIMARY RESIDENCE (1-3 Units) ⁶				
TRANSACTION TYPE	MAXIMUM LOAN AMOUNT	FICO	LTV/CLTV ⁴	RESERVES
Purchase Rate/Term	\$1,000,000	720	90% (Purchase Only) ^{1,2,5,7}	6 months
	\$2,000,000	680	85% (Purchase Only) ^{3,5,7}	
		660	80%	
	\$2,500,000	680	80%	9 months
	\$3,000,000	700	80%	
\$3,500,000	720	70%		
Cash Out	\$1,500,000	700	80%	6 months
		660	75%	
	\$2,000,000	720	80%	
		700	75%	
		660	70%	
	\$2,500,000	720	75%	9 months
		700	70%	
	\$3,000,000	720	70%	
SECOND HOME (1 Unit) ⁶				
TRANSACTION TYPE	MAXIMUM LOAN AMOUNT	FICO	LTV/CLTV ¹	RESERVES
Purchase Rate/Term	\$1,000,000	680	85% (Purchase Only) ^{3,5,7}	6 months
		660	80%	
	\$1,500,000	720	85% (Purchase Only) ^{3,7}	
		660	75%	
	\$2,000,000	680	80%	9 months
		\$2,500,000	700	
Cash Out	\$1,500,000	680	75%	6 months
		660	70%	
	\$2,000,000	720	75%	
		680	70%	
		660	65%	
	\$2,500,000	720	70%	9 months

4.2 Primary & Second Home Program Restrictions	<div>PROGRAM RESTRICTIONS / REQUIREMENTS</div> <div>¹Condos – Max 85% LTV/CLTV ²Min Loan amount \$200,000. I/O not permitted. FTHB not permitted ³40 Yr. Interest Only not permitted ⁴Asset Utilization – See Section 4.4 for LTV/CLTV limitations ⁵P & L– Max 80% Purchase / 75% R & T / 70% Cash Out – 680 Min FICO- \$2MM Max Loan Amt – Primary residence only ⁶Rural Properties – see Section 17.6 for LTV/CLTV restrictions ⁷Non-Warrantable Condos – Max 80% LTV/CLTV</div>																															
4.3 Purpose - Investment	<div>INVESTMENT (1-4 Units)^{3,4}</div> <table><tr><th>TRANSACTION TYPE</th><th>MAXIMUM LOAN AMOUNT</th><th>FICO</th><th>LTV/CLTV¹</th><th>RESERVES</th></tr><tr><td rowspan="4">Purchase Rate/Term</td><td>\$1,500,000</td><td>660</td><td>80% (Purchase Only)</td><td rowspan="3">6 months</td></tr><tr><td rowspan="2">\$2,000,000²</td><td>680</td><td>80% (Purchase Only)</td></tr><tr><td>660</td><td>75%</td></tr><tr><td>\$2,500,000²</td><td>700</td><td>80% (Purchase Only)</td><td>9 months</td></tr><tr><td rowspan="3">Cash Out</td><td>\$1,500,000</td><td>680</td><td>75%</td><td rowspan="2">6 months</td></tr><tr><td>\$2,000,000²</td><td>660</td><td>70%</td></tr><tr><td>\$2,500,000²</td><td>720</td><td>70%</td><td>9 months</td></tr></table> <div>PROGRAM RESTRICTIONS / REQUIREMENTS</div> <div>¹Asset Utilization – See Section 4.4 for LTV/CLTV limitations ²Loans ≥ \$2MM are allowed for 2–4-unit properties only<ul style="list-style-type: none">Exception:<ul style="list-style-type: none">SFR properties allowed in California only³Rural properties not allowed – see Section 17.6 ⁴First Time Investor – Minimum FICO 700</div>	TRANSACTION TYPE	MAXIMUM LOAN AMOUNT	FICO	LTV/CLTV ¹	RESERVES	Purchase Rate/Term	\$1,500,000	660	80% (Purchase Only)	6 months	\$2,000,000 ²	680	80% (Purchase Only)	660	75%	\$2,500,000 ²	700	80% (Purchase Only)	9 months	Cash Out	\$1,500,000	680	75%	6 months	\$2,000,000 ²	660	70%	\$2,500,000 ²	720	70%	9 months
TRANSACTION TYPE	MAXIMUM LOAN AMOUNT	FICO	LTV/CLTV ¹	RESERVES																												
Purchase Rate/Term	\$1,500,000	660	80% (Purchase Only)	6 months																												
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	\$2,000,000 ²	660	70%																													
	\$2,500,000 ²	720	70%	9 months																												

4.4 Asset Utilization	ASSET UTILIZATION							
	TRANSACTION TYPE	MAXIMUM LOAN AMOUNT	FICO	LTV/CLTV	RESERVES			
	OWNER OCCUPIED / SECOND HOME							
	Purchase & Rate/Term	See Section 4.1/4.3 (Full Doc)	80%	Not Required				
	Cash out		60%					
	INVESTMENT							
	Purchase & Rate/Term	See Section 4.1/4.3 (Full Doc)	65%	Not Required				
	Cash Out		60%					
4.5 Maximum Cash Out	<table><tr><td>≤ 70% LTV/CLTV</td><td>> 70% LTV/CLTV</td></tr><tr><td>Unlimited</td><td>\$1,000,000</td></tr></table>				≤ 70% LTV/CLTV	> 70% LTV/CLTV	Unlimited	\$1,000,000
	≤ 70% LTV/CLTV	> 70% LTV/CLTV						
Unlimited	\$1,000,000							
Section 5 – Borrower Eligibility								
5.1 Eligible Borrowers	<ul style="list-style-type: none">• U.S. Citizens• First Time Homebuyer – see Section 5.3<ul style="list-style-type: none">◦ Maximum 85% LTV<ul style="list-style-type: none">▪ Not applicable for Borrowers living rent free (Section 8.6)• Permanent Resident Aliens• Non-Permanent Resident Aliens<ul style="list-style-type: none">◦ Primary Purchase and Rate & Term Only<ul style="list-style-type: none">▪ 1-2 Units only▪ Max 80% LTV/CLTV• Inter-Vivos Revocable Trust• Limited partnerships, general partnerships, corporations, Limited Liability Company (layered entities not permitted)• Non-Occupant Co-Borrower<ul style="list-style-type: none">◦ Primary Purchase and Rate/Term only◦ 1-unit properties only							

5.2 First Time Investor	<ul style="list-style-type: none"> • A First Time Investor is defined as a borrower who has not owned at least one commercial or residential investment property in the United States for at least 12 months in the last 3 years. Borrower(s) living rent free, see Section 8.6 <ul style="list-style-type: none"> ◦ Only applicable if all borrower(s) meet the definition above ◦ Minimum FICO 700
5.3 First Time Homebuyer	<ul style="list-style-type: none"> • An individual is to be considered a first-time homebuyer who: <ul style="list-style-type: none"> ◦ Is purchasing the security property; and ◦ Will reside in the security property as a principal residence; and ◦ Had no ownership interest (sole or joint) in a residential property for 12 months during the 7-year period preceding the date of the purchase of the security property • If one borrower on the transaction is not a FTHB, no further restrictions apply • Maximum 85% LTV • Borrower(s) living rent free – See section 8.6
5.4 Non-Occupant Co-Borrower	<ul style="list-style-type: none"> • Single unit only • Cash-Out not eligible • Second Homes not eligible • Non-occupant co-borrowers are credit applicants who do not occupy the subject property <ul style="list-style-type: none"> ◦ Must be an immediate relative, as defined by Fannie Mae <ul style="list-style-type: none"> ▪ Relationship letter is required ◦ Must sign the mortgage or deed of trust ◦ Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker • Eligible with blended ratios
5.5 Ineligible Borrowers	<ul style="list-style-type: none"> • Irrevocable, Blind, and Land Trusts • Foreign Nationals • Asylum applicants • Any parties to a transaction listed on HUD’s Limited Denial of Participation (LDP) list, or the federal General Services Administrative (GSE) Excluded Party lists • Borrowers with diplomatic immunity • Borrowers without a valid Social Security Number • Borrowers party to a lawsuit • DACA recipients • EAD Card without valid Visa

5.6 Limited and general Partnerships, Corps, & LLCs	<ul style="list-style-type: none"> No layering of entities (i.e., LLC whose member(s) are a trust) <ul style="list-style-type: none"> Personal guarantor required - Personal Guarantor must also sign closing documents and disclosures All members of the entity must be a natural person Final loan docs may not be signed with a POA Non-profit 501 c3 – ineligible
5.7 Permanent Resident Alien	<ul style="list-style-type: none"> Permanent Resident Aliens are individuals who permanently reside in the United States A legible front and back copy of the borrower(s) valid Green Card
5.8 Non-permanent Resident Aliens	<p>A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Non-Permanent Resident Alien borrowers are eligible for all products and programs</p> <p>If one borrower on the transaction is a US citizen, non-Permanent resident program restrictions do not apply</p> <ul style="list-style-type: none"> Program Restrictions: <ul style="list-style-type: none"> Max 80% LTV/CLTV 1-2 Unit Properties Purchase and Rate/Term Refinance Only Borrowers with diplomatic immunity are ineligible DACA recipients are ineligible EAD cards without valid Visas are ineligible Copies of the borrower’s passport and unexpired Visa permitting employment in the United States is required. <ul style="list-style-type: none"> If VISA renewal is in process or delayed, provide application for extension or renewal (adjustment of status) 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 3 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. The borrower(s) must have a minimum of 2 years residency and employment All parties involved on the transaction must be screened through exclusionary lists and must be cleared through OFAC's SND list Borrowers from OFAC sanctioned countries are ineligible DACA Borrowers not allowed Eligible VISA Types include: <ul style="list-style-type: none"> E1, E2, E3 G1, G2, G3, G4, G5 H1 H1B, H1C L1B, L2B NATO 1-6 O1 R1 TN1 Canadian NAFTA TN2 Mexican NAFTA

Section 6 – Occupancy Eligibility

6.1 Primary Residence	<p>A primary residence is a 1–3-unit property that the borrower(s) currently resides in (refinance) or intends to occupy (purchase) within 60 days as his or her principal residence</p> <ul style="list-style-type: none"> Generally, borrowers may not own an additional single-family residence of equal or greater value than subject property. Significant equity ($\geq 50\%$ subject loan amount) in a departing residence should be considered in overall credit analysis and cannot be paired with an exception. Borrowers retaining their departing residence as a rental require Orion pre-approval <ul style="list-style-type: none"> Loans with payoff risk may be assessed a 12-month EPO and/or subject to a pricing cap Characteristics that may indicate that a property is used as a borrower's primary residence include: <ul style="list-style-type: none"> Is occupied by the borrower for the major portion of the year Is in a location relatively convenient to the borrower's principal place of employment Is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions Relocation in excess of 200 miles of self-employed borrowers with operating business is not permitted unless business is predominately run out of the home
6.2 Second Homes	<p>A property is considered a second home when it meets all the following requirements:</p> <ul style="list-style-type: none"> 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 Single unit only Must be suitable for year-round occupancy The borrower(s) must have exclusive control over the property. Unit may be rented up to 30 days per year. Gift funds NOT allowed
6.3 Non-Owner Occupied	<ul style="list-style-type: none"> Gift funds NOT allowed Rural properties ineligible Loan Amounts $\geq \\$2,000,000$ permitted on: <ul style="list-style-type: none"> 2–4-unit properties 1–4 units in California only A Landlord's, Commercial or similar rental income hazard insurance policy is required for all subject property non-owner-occupied properties Subject property short term rentals not allowed

Section 7 – Transaction Eligibility

7.1 Eligible Transactions	<ul style="list-style-type: none"> • Purchase • Rate / Term • Cash Out • Delayed Financing • CEMA • TX Cash Out • 1031 Exchange
7.2 Ineligible Transactions	<ul style="list-style-type: none"> • Construction Loans • Land Contracts • Non-Arm's length (Section 7.15) <ul style="list-style-type: none"> ◦ Dual Compensation is allowed and not considered non-arm's length • Builder Bailout & Model leasebacks • Conversion Loans • Community down payment assistance / equity sharing • Borrower/builder refinance of construction loans or free and clear properties are ineligible unless non-owner occupied with a pre-payment penalty • Reverse 1031 exchanges
7.3 Purchase	<ul style="list-style-type: none"> • The lesser of the purchase price or appraised value is used to calculate LTV/CLTV • A copy of the fully executed purchase contract and all attachments and addenda should be included • Inspection reports are not required unless the appraisal suggests further investigation (e.g., termite reports) • Sale and leaseback agreements will not be permitted to exceed 60 days from closing date • Assignment of contract with 3rd party fees i.e., wholesalers/finders fee are not permitted • Flip Transactions – see section 7.13

7.4 Rate & Term Refinance

- A Rate/Term Refinance transaction is limited to the payoff of:
 - A refinance first mortgage seasoned 6 months from funded date to new note date.
 - A purchase first and second mortgage (if applicable) used as purchase money
 - A closed end or HELOC mortgage that has been in place for more than 6 months and/or not having any draws greater than \$2,000 in the past 6 months
 - Withdrawal activity must be documented with a transaction history from the HELOC
 - Closing costs and prepaids
 - A court ordered buyout settlement
- Limited cash to the borrower must not exceed the lesser of \$2,000 or 2% of the loan amount
- Borrowers financing the payment of real estate taxes that are more than 60 days delinquent is considered cash out, per FNMA
- If the property is owned less than 6 months at the time of application date, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior settlement statement will be required for proof of purchase price. Purchase appraisal or original listing photos required along with schedule of improvements
 - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership). The LTV/CLTV will be based on the current appraised value
 - If the borrower acquired the property at any time as a gift, award, inheritance, or other non-purchase transaction, the LTV/CLTV will be based on the current appraised value. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership
- Refinances to Buy Out an Owner's Interest
 - A court ordered transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a limited cash-out refinance if the secured property was jointly owned for at least 12 months preceding the disbursement date of the new mortgage loan.
 - All parties must sign a written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. Except in the case of recent inheritance of the subject property, documentation must be provided to indicate that the security property was jointly owned by all parties for at least 12 months preceding the disbursement date of the new mortgage loan
 - Borrowers who acquire sole ownership of the property may not receive any of the proceeds from the refinancing. The party buying out the other party's interest must be able to qualify for the mortgage pursuant to Orion Lending's underwriting guidelines

7.5 Cash Out

- A Cash-Out Refinance transaction may pay off an existing mortgage(s) with a minimum of 6 months seasoning or create a new lien if the property is owned free and clear
 - Seasoning is calculated from the borrower's purchase closing date to application date
 - Properties owned for more than 6 months but less than 12 months, may use new appraised value based on the LTV restrictions below:
 - Owner Occupied – 75% LTV/CLTV
 - Second Home/Investment Properties – 70% LTV/CLTV
 - Max financing eligible for properties owned ≥ 12 months.
- Delayed financing proceeds are eligible for Asset Utilization
- There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- If the borrower acquired the property at any time as a gift, award, inheritance, or other non-purchase transaction, the LTV/CLTV will be based on the current appraised value. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership
- Borrowers financing the payment of real estate taxes that are more than 60 days delinquent is considered cash out, per FNMA
- The borrower can receive funds at closing as long as they do not exceed the program requirements
- Cash out can be used as reserves
- Texas(a)(6) transactions allowed
- Other Cash Out Limits:

≤ 70% LTV/CLTV	> 70% LTV/CLTV
Unlimited	\$1,000,000

7.6 Construction to Perm

- The permanent financing of a construction loan is eligible with the following conditions:
 - If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property
 - If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
- A builder refinancing out of a construction loan, is limited to investment only, with a minimum 2-year pre-payment penalty
- Payoffs with accrued and unpaid interest > 59 days will be considered cash out

7.7 Delayed Financing Refinance	<ul style="list-style-type: none"> • Delayed financing can be qualified and priced as a rate/term refinance • Delayed financing (on properties purchased by the borrower with cash and owned < 12 months) are permitted if the original transaction was arm's length <ul style="list-style-type: none"> ◦ Provide settlement statement from purchase confirms no financing used to acquire property ◦ LTV will be calculated based on Purchase Price. No documented improvements permitted ◦ Purchase funds are required to be documented <ul style="list-style-type: none"> ▪ If gift funds were used, the borrower may only finance the amount put into the transaction, excluding gift. • The LTV/CLTV will be based on the lesser of the original purchase price or current appraised value. The prior settlement statement will be required for proof of purchase price. • Delayed financing cash out proceeds are eligible for Asset Utilization • An AIR compliant purchase appraisal may be used for this refinance if within the age of documents guideline section
7.8 Subordinate Financing	<ul style="list-style-type: none"> • New subordinate financing (institutional) allowed for primary residence purchase transactions only <ul style="list-style-type: none"> ◦ ARM subordinate financing is not allowed • Seller carried subordinate financing is ineligible • Existing subordination is permitted on refinances • All subordinate loans must be considered when calculating the Borrower's DTI • For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment • If a HELOC is present the CLTV/HCLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the full 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. • 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 • A HELOC with zero balance does not require a minimum payment be applied
7.9 Continuity of Obligation	<ul style="list-style-type: none"> • Rate/Term <ul style="list-style-type: none"> ◦ At least one borrower on the new loan must be on title of the subject property at the time of the initial application <ul style="list-style-type: none"> ▪ See section 7.4 rate/term refinance for additional requirements • Cash Out <ul style="list-style-type: none"> ◦ At least one borrower must have been on title to the subject property for at least six (6) months at time of initial application <ul style="list-style-type: none"> ▪ There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property (gift, award, divorce, separation, or dissolution of a domestic partnership) <ul style="list-style-type: none"> • See section 7.5 cash out refinance for additional requirements • Continuity of Obligation is met when a borrower is at least 25% owner of an entity and is refinancing from a natural person to an entity or vice versa

7.10 Properties Listed for Sale	<ul style="list-style-type: none"> • Primary, Second Homes, and Investment Properties without Prepayment Penalty <ul style="list-style-type: none"> ◦ Properties that have been listed for sale within the past 6 months from the loan Note date are not eligible ◦ Properties listed for sale by the borrower within the last 12 months are not eligible for cash out • Investment properties with a Prepayment Penalty <ul style="list-style-type: none"> ◦ Properties listed for sale by the borrower within the last 12 months are eligible for rate/term per matrix LTV limits, and for cash-out to a max LTV of 65% • LTV based on the lower of the last listing price or current appraised value • Properties listed for sale at application are ineligible
7.12 Lease Option to Purchase	<ul style="list-style-type: none"> • Primary residence only • Borrowers may apply a portion of the rent paid to their required down payment, closing costs or minimum borrower contribution if the rent credits were agreed upon in the original Lease Purchase Agreement. • Total allowable credit for the down payment is determined by using the lower of the rent credits agreed in purchase agreement and the total amount paid by the borrower/buyer in actual rents above fair market rent for the last 12 months. • The market rent is determined by the appraiser in the appraisal report for the subject property. • Documentation Requirements <ul style="list-style-type: none"> ◦ A copy of the signed and dated rental/purchase agreement evidencing a minimum original term of at least twelve (12) months, clearly stating the monthly rental amount, and specifying the terms of the lease. ◦ Copies of the Borrower's cancelled checks or money order receipts for the last 12 months evidencing the rental payments.
7.13 Flip Transactions	<ul style="list-style-type: none"> • On a purchase transaction when the home is being resold within 180 days of seller's purchase date, the transaction is considered a flip (based on the day the borrower signs an initial purchase agreement) • Flips with resale prices in excess of the following will require an exception, unless seller acquired the property in a private sale not exposed to any multiple listing service: <ul style="list-style-type: none"> ◦ More than 10% increase within 90 days ◦ More than 20% increase from 91 to 180 days • Current purchase transaction must be listed with a realtor on Multiple Listing Services • Bank owned REO and corporate relocations are eligible and not considered a flip transaction • Second Appraisal is required for HPMLs if: <ul style="list-style-type: none"> ◦ >10% increase in sales price if seller acquired the property in the past 90 days ◦ >20% increase in sales price if seller acquired the property in the past 91-180 days

<p>7.14 1031 Exchange</p>	<ul style="list-style-type: none"> Funds held by a 1031 administrator/agent are permitted for down payment and closing costs. Allowed on investment purchases only Reverse 1031 exchanges not allowed Must be in compliance with Internal Revenue Code Section 1031 Excess proceeds cannot be used to satisfy reserve requirements unless liquidated Documented by accommodator instructions, fully executed exchange agreement at closing, and settlement statement. NOTE: 2-4-unit properties where one of the units is occupied by the customer are not considered investment properties and therefore are not eligible.
<p>7.15 Non-Arm's Length</p>	<ul style="list-style-type: none"> Non-arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan. The appraiser must be informed of the relationship and address any impact on market value Dual compensation is allowed and not considered non-arm's length The following non-arm's length transactions are eligible with proper documentation: <ul style="list-style-type: none"> Sale or transfers between members of the same family (transaction may not be due to any adverse circumstances) Renters purchasing from current landlord Property seller acting as his or her own real estate agent Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history) Realtor cannot buy own listing as well as seller cannot buy realtor's listing Borrower is a mortgage broker or loan officer, or works for submitting broker Borrower is related to realtor and/or loan officer who is representing them ONLY Non-arm's length transactions are subject to all the following requirements: <ul style="list-style-type: none"> Primary residence only Relationship letter required between buyer and seller unless confirmed in the sales contract Borrower to provide a copy of the cancelled earnest money check paid to the property seller (if applicable) Underwriters must be satisfied with any occupancy red flags All liens on title to be paid in full and reflected on the settlement statement Lesser of sales price or current appraised value to be used to calculate the LTV/CLTV Borrowers cannot provide services on transaction (loan originator, closing agent, title agent, appraiser, etc.) <ul style="list-style-type: none"> A borrower may represent themselves as the Real Estate agent on a purchase transaction <ul style="list-style-type: none"> Commission earned must be market rate. Excess commission will be treated as interested party contribution Borrower may not be an owner of a business entity selling the subject property

Section 8 – Credit Eligibility

8.1 Credit Report Detail	<ul style="list-style-type: none"> • A tri-merged in file credit report including scores from all three (3) repositories, Experian, Transunion, and Equifax is required • Credit Report maximum age is 120 days from Note date • Disputed accounts may require an LOE. An updated credit report is not required • All derogatory revolving and installment accounts > 60 days and all mortgage accounts > 1 x 30, each within 2 years of closing require a full acceptable 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
8.2 Credit Scores	<ul style="list-style-type: none"> • Qualifying FICO: <ul style="list-style-type: none"> ○ Full Doc, Express Doc, and Asset Utilization <ul style="list-style-type: none"> ▪ Primary wage earner ○ Bank Statement <ul style="list-style-type: none"> ▪ Use primary wage earner score <ul style="list-style-type: none"> • For borrowers with 50/50 split ownership, use the higher of the two mid FICO scores • All borrowers must have a mid FICO of 660 or higher <ul style="list-style-type: none"> ○ First Time Investors – Minimum 700 FICO • For refinance transactions, the use of the highest score is only eligible if that borrower meets Continuity of Obligation
8.3 Credit Repair/Rescore	<ul style="list-style-type: none"> • No private credit repair companies allowed • Rapid rescore of credit permitted for confirmation of pay down and/or payoff of debt and correction of reporting errors • Updated credit score permitted for qualifying
8.4 Security Freeze	<ul style="list-style-type: none"> • A credit freeze may remain if it is reported under one bureau only and a minimum of two scores are present. More than one frozen bureau requires the freeze to be lifted by the borrower and a new report provided.

8.5 Credit Counseling	<ul style="list-style-type: none"> Borrowers currently enrolled in credit counseling or debt management plans are not permitted
8.6 Credit Events	<ul style="list-style-type: none"> No housing event permitted on any real estate within 4 years <ul style="list-style-type: none"> Housing Event = Foreclosure, Short Sale, Deed in Lieu, Default Modification, Notice of Default or 120+ Delinquent Housing event affecting both a first and second on same property is considered one event Events include all occupancy types – Primary, 2nd Home & Investment Properties Seasoning is from the date of discharge or property resolution (completion date), as of the note date on the new loan Modification look back commences at inception Foreclosures included in bankruptcy permitted based on BK discharge date if the borrower has vacated the property Timeshares including delinquencies are treated as installment loans, and not as a housing/credit event LOE required for any recent credit events less than 4 years Multiple credit events not permitted A borrower who holds title only to a property that has a credit event is considered the borrower’s credit event and subject to the guidelines above
8.7 Adverse Credit	<ul style="list-style-type: none"> All Judgments and liens affecting title must be paid Non-title charge-offs and collections open < 2 years and exceeding \$10,000 (individually or aggregate) must be paid Medical collections less than \$15,000 are not required to be paid IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property <ul style="list-style-type: none"> Delinquent Federal or State tax liens must be paid prior to application date

<p>8.8 Mortgage / Housing History</p>	<ul style="list-style-type: none"> • Only one borrower needs to meet housing history requirement • All borrowers must be current on mortgage, property taxes, HOA or rent at loan application – 0 X 30 X 12 <ul style="list-style-type: none"> ◦ Property tax liens and delinquent HOA dues at application will require an exception • 12 months proof of payment via cancelled checks, bank debits (indicated on statements) or institutional VOR/VOM <ul style="list-style-type: none"> ◦ Institutional VORs must be from a bonafide property management company with executed lease to support control • Mortgage ratings on rental property is required if income is being used to qualify <ul style="list-style-type: none"> ◦ Other REO VOM's not required if not on credit (no private VOMs required unless using income to qualify) <ul style="list-style-type: none"> ▪ If appearing on credit report, delinquencies can't be ignored and must satisfy the 12-month lookback rules above • Rent free or incomplete housing history <ul style="list-style-type: none"> ◦ No open and active mortgages reporting on initial credit or free and clear properties will require an exception and is limited to max 80% LTV ◦ Open and active mortgage(s) reporting on initial credit for minimum 12 months is permitted to satisfy housing history ◦ With minimum 12 months previous mortgage history reporting on initial credit within the last 12 months is permitted to satisfy housing history ◦ No private VOMs or credit supplements permitted • Rent free from spouse or title only ownership is permitted as follows: <ul style="list-style-type: none"> ◦ Institutional VOM or bank records (from spouse) are required to satisfy primary housing history • A borrower who sold a home and is temporarily staying rent free until the purchase of a new home is not considered an incomplete housing history. Must document most rent 12-month history prior to the sale of departing residence
<p>8.9 Minimum Tradeline Requirements</p>	<ul style="list-style-type: none"> • For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually) • Borrower(s) with less than three (3) credit scores must meet the minimum tradeline requirements outlined below: <ul style="list-style-type: none"> ◦ Each borrower must have 2 tradelines or joint borrowers must have a total of 3 tradelines combined, rated at least 12 months, with activity in the last 24 months ◦ Tradeline may be opened or closed ◦ Eligible tradelines cannot have any derogatory history in previous 24 months ◦ Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks, debits) ◦ No authorized user accounts will be used to satisfy minimum tradelines ◦ Non-traditional credit is not allowed as an eligible tradeline
<p>8.10 30-Day Accounts</p>	<ul style="list-style-type: none"> • 30-day accounts (AmEx) should be qualified using the full monthly payment or 5% for monthly accounts unless borrower documents balance can be covered by excess reserves.

8.11 Alimony Payments	<ul style="list-style-type: none"> The monthly alimony obligation can be deducted from the consumer's gross income when calculating quantifying ratios
8.12 Authorized User Accounts	<ul style="list-style-type: none"> Authorized user accounts may be excluded from DTI
8.13 Business Debt	<ul style="list-style-type: none"> Excludable if can be tied to business related activities (i.e. – vehicle, residential mortgage debt) and 6 months (0x30) proof that business pays. Expense must be evident on business financials <ul style="list-style-type: none"> Cannot be paired with expense factor < 25% Bank statements program – Provide proof via bank statements or cancelled checks All other Doc Types – Provide proof business pays either on bank statements or with cancelled checks, and expense must be evident on business financial documents
8.14 Contingent Liabilities	<ul style="list-style-type: none"> Non-mortgage contingent liabilities can be excluded from the DTI if the borrower provides evidence that their business or another individual/entity has made payments for 6 months (0x30) When a borrower is obligated on a mortgage debt, but is not the party who is repaying the debt, the debt may be excluded from the DTI if the following requirements are met: <ul style="list-style-type: none"> the party making the payments is obligated on the mortgage debt, there are no delinquencies in the most recent 12 months (0 x 30 x 12), and the borrower is not using rental income from the applicable property to qualify Any liability related to a separation or divorce can be omitted if ordered by family court. Documentation from the court is required
8.15 Leases	<ul style="list-style-type: none"> Vehicle lease payments must be included in DTI, regardless of the number payments remaining Turning in a vehicle early to exclude the payment from the DTI is not allowed
8.16 Student Loan	<ul style="list-style-type: none"> Student loans that are deferred beyond 12 months may be excluded from DTI calculation. Student loans that are deferred < 12 months or in repayment status must be included in the DTI calculation Loans in repayment - If a payment amount is not identified, .5% of the current loan balance may be utilized Affordability based payments may be used

8.17 Departing Residence	<ul style="list-style-type: none"> • Departing residence positive rental income cannot be used as qualifying income. Departing residence PITIA can be offset by 75% of projected net rental income. • Departing residence rental that produces a loss must be included in DTI • Document rents received via current lease and initial deposit, or if not available, market rent survey may be used (free online source permitted) • Generally, borrowers may not own an additional single-family residence of equal or greater value than the new subject property • Significant equity in a departing residence ($\geq 50\%$ subject loan amount) should be considered in overall credit analysis and cannot be paired with an exception. Loans with payoff risk may be assessed a 12-month EPO and/or subject to a pricing cap. Borrowers with no investment properties retaining their departing residence as a rental require preapproval • Departing residence obligation can be excluded if the property is under contract and meets the following: <ul style="list-style-type: none"> ◦ 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 30 days of the subject transaction. The pending sale transaction must be arm's length ◦ No appraisal required for departure residence. The borrower must net a positive number from the sale of the property, or assets must be documented to cover any funds the borrower may have to bring to closing on the sale of the departure residence
8.18 Payoff / Pay Down Debt to Qualify	<ul style="list-style-type: none"> • Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with: <ul style="list-style-type: none"> ◦ A credit supplement OR ◦ Verification from the creditor that liability is paid in full or evidence of payoff on Closing Disclosure • Cash out proceeds may be used to pay off or pay down debt to qualify at closing • Installment loans may be paid down to less than 10 payments to exclude payment
8.19 Bankruptcy	<ul style="list-style-type: none"> • 4 years seasoning at time of application date • Bankruptcy seasoning including Chapter 7, 11, and Chapter 13 based on discharge or dismissal date • BK must have been dismissed or discharged prior to application • Ch 13 BK payment history must show no 30-day lates • Cash out cannot be used to settle; BK must have been settled prior to application • Multiple BK filings, regardless of when they occurred, are not eligible (an amended filing is not considered multiple filings) • LOE required for any recent credit event less than 4 years
8.20 HELOC	<ul style="list-style-type: none"> • Orion Lending requires the total line limit amount to be included in the HCLTV.

8.21 Forbearance or Deferral	<ul style="list-style-type: none"> Borrowers with a Covid-19 related forbearance or deferral must have completed the program and made at least two months payments for a Purchase or Rate/Term Refinance and 6 months payments for a Cash-out Refinance Documentation from the servicer of the completion is required. The deferred balance may be paid off with the subject property refinance. Primary home in forbearance is ineligible even if subject property is non-owner occupied. Other Real Estate owned limited to 1 property in forbearance is eligible
8.22 Balloon Payment Past Due	<ul style="list-style-type: none"> A past due balloon payment is treated as a delinquency (1 x 30) and not a housing event, but only within 180 days of maturity. Transaction histories showing payments made and applied on time are considered to have been extended and not considered delinquent.
Section 9 – Income Documentation – Full Doc	
9.1 Wage Earner	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> Wage Earner: Most recent YTD paystub (YTD must cover minimum of 30 days) or Electronic WVOE (i.e., The Work Number) is acceptable Two years W2's <ul style="list-style-type: none"> W2 transcripts required <ul style="list-style-type: none"> Lender obtained tax transcripts in lieu of providing W-2 are eligible Written VOE required, if needed for the analysis of overtime, bonus, or commission IRS 1040s are not required unless also using other sources of income to qualify i.e., interest dividends, capital gains, etc.
9.2 1099 Borrowers	<p>To qualify for 1099 income documentation, the Borrower(s) earnings must be 100% commission from one or several companies and in a profession that requires low overhead, i.e., independent contractors, commission employees, consultants, etc. Professions that require vehicle maintenance/repairs, office space, etc., must qualify using traditional income documentation or bank statements</p> <p>Minimum history of Self-Employment:</p> <p>Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years of self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as effective income. 1099's must be issued to the individual borrower (If the borrower is an entity being used to qualify, the 1099 must reflect the entity as the payer and the guarantor as the recipient). Borrower must have 100% ownership of the entity for the period of the 1099 being reviewed</p> <ul style="list-style-type: none"> 1 or 2 years of 1099s permitted <ul style="list-style-type: none"> Qualifying income based on a 12 or 24 monthly average Business Expense calculation method <ul style="list-style-type: none"> 10% Expense Factor – 90% of gross 1099 earnings YTD earnings must be documented to support ongoing receipt of income reflected on 1099s <ul style="list-style-type: none"> Checks or a single check stub(s) with YTD totals or; Most recent 3 months Bank statements or; YTD earnings statements from the 1099 Business YTD earnings from deposits must be at least 80% of qualifying income <ul style="list-style-type: none"> Earnings impacted by seasonality may be considered with documented compensating factors YTD earnings may be averaged with validated 1099(s) with a 25% maximum increase 1099 Transcripts are required. "No return found" will require alternative evidence (payment to IRS, CPA attestation)

9.2 Self-Employed Borrowers

A borrower is considered self-employed if their ownership percentage is $\geq 25\%$. Borrowers with cumulative ownership $\geq 25\%$ are eligible

- Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years of self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as effective income.
- 1099's must be issued to the individual borrower (If the borrower is an entity being used to qualify, the 1099 must reflect the entity as the payer and the guarantor as the recipient). Borrower must have 100% ownership of the entity for the period of the 1099 being reviewed

Documentation Requirements:

- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
 - CPA must be an independent 3rd party and have no relationship to the borrower
 - Letter must not contain qualifying language
 - Click [here](#) for Tax Professional Attestation Form
- Two years personal & business tax returns (along with all schedules and K-1's)
- Tax transcripts 4506-C required
- A year-to-date P & L is required if the application is dated more than 120 days after the end of the business's tax year
- If a gap exists between the most recent tax return ending date and the start date of the YTD P & L, a gap-year P & L is also required. The qualifying income is determined from the tax returns, the P & L is used to determine the stability of that income
 - If tax returns for the most recent year are not available, and a 12-month P & L is being used, the following is required:
 - Bank statements for the two most recent months must reflect deposits that support the sales from the P & L and the qualifying income from the priors' years tax returns
- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require 2 years 1099s if the employer 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 1 year
- Net operating losses may be excluded when evidenced on business returns
- A Company name change, or re-organization is considered continuous if within last 2 years or restructure (i.e., from sole proprietor to LLC, S-Corp, etc.)
- Self-employed paying themselves W-2 or K-1 – Follow FNMA
- Declining income – Self-employed
 - Declining income over the last 2 years may be considered for qualifying with signed letter of explanation from the borrower. Lower of the 2 years would then be used to qualify unless the income has stabilized over the most recent 6 months

<p>9.3 Rental Income</p>	<ul style="list-style-type: none"> • See Departing Residence section 8.17 • Negative rental income can be deducted from income rather than considered a liability (except departing residences and subject properties) • Borrower may provide leases and proof of rent in lieu of tax returns • 6 months' rent loss insurance required <p>Purchase Rental Income Calculation:</p> <ul style="list-style-type: none"> • Calculated at 85% of the market rent less PITIA <p>Refinance Rental Income Calculation:</p> <ul style="list-style-type: none"> • Two (2) years tax returns required <ul style="list-style-type: none"> ◦ Use FNMA Schedule E calculation • Not reported on tax returns due to acquisition since last filing or documented rehab; <ul style="list-style-type: none"> ◦ Document rents received via current lease (must be at or below market rents as evidence by internet rental searches) ◦ Proof of receipt of the most recent month's rent ◦ Lesser of lease or market rent must be reduced by a vacancy/expense factor of 15%
<p>Section 10 – Income Documentation – Bank Statements</p>	
<p>10.1 Documentation Requirements (S/E Borrower)</p>	<p>The bank statement program is designed for active, U.S. based operating businesses. Passive income from crowdfunding, real estate investors (with fewer than 10 residential units), venture capitalists, asset speculation, day trading and the like are considered ineligible from business bank statement income</p> <p>Real Estate Investors with fewer than 10 residential units are eligible under Full Doc. See section 10.2 for requirements</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • 12 months personal or business bank statements from a regulated U.S. financial institution (FinTech statements will be reviewed on a case-by-case basis) <ul style="list-style-type: none"> ◦ Bank statements should be most recent available at time of application but never more than 45 days prior to application. ◦ Transaction history printouts are not acceptable. ◦ Multiple bank accounts may be used. If using more than 3 separate business accounts, loan must be qualified using personal bank statements ◦ Most recent 3 months deposits should generally not represent the majority of the annual income • Business Narrative <ul style="list-style-type: none"> ◦ Borrower must provide a business narrative which includes detail related to the size/scope and operating profile of the business, including the following: <ul style="list-style-type: none"> ▪ Description of Business/Business Profile ▪ Locations ▪ Number of Employees/Contractors ▪ Description of Goods/Materials ▪ Materials/Trucks/Equipment ▪ Commercial or Retail client base ◦ An internet search of the business is required to support the business narrative <ul style="list-style-type: none"> ▪ Borrower to provide explanation of how business is generated when internet search is unsuccessful <ul style="list-style-type: none"> • Underwriter certification or notation on the 1008 required

10.2 Documentation Requirements (R/E Investor)	<p>Real Estate Investors with a maximum of 9 rental properties may qualify using the Bank Statement program. Requirements below:</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • Current Annual lease(s) on the REO (must be at or below market rents as evidenced by internet rental searches) <ul style="list-style-type: none"> ◦ If the lease(s) is/are in the name of an entity, the income may be considered if the borrower is the sole owner of the entity • Proof of receipt of the most recent, current month's rent • Calculate income of loss based on 85% of the lease less the documented PITIA
10.3 Documentation Analysis	<ul style="list-style-type: none"> • Large deposits, defined as 25% greater than monthly average the deposit was made, in bank accounts being used to qualify require a letter of explanation or evidence they are business related • Declining income over the last 2 years may be utilized for qualifying with signed letter of explanation from the borrower. Lower of the 2 years would then be used to qualify unless the income has stabilized over the most recent 6 months • NSF's should be covered with deposits shortly after they are incurred – No more than 5 NSF's in the most recent 12 months allowed
10.4 Business Requirements	<ul style="list-style-type: none"> • Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Professional, Secretary of State Filing or equivalent <ul style="list-style-type: none"> ◦ Less than 2 years self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as effective income • Ownership percentage of borrower(s) must not be less than 25% and be documented via CPA letter (without qualifying language), Operating Agreement, or equivalent <ul style="list-style-type: none"> ◦ Click here for Tax Professional Attestation Form • A company name change or re-organization is considered continuous if within last 2 years or restructure (i.e. from sole proprietor to LLC, S-Corp, etc.) • Any change of ownership percentage must be seasoned at least 12 months • Borrower paid by multiple 1099s are considered Self-Employed and are qualified per the requirements below: <ul style="list-style-type: none"> ◦ 1099's plus 12 months bank statements to support receipt of the income ◦ Business narrative and appropriate expense factor will be applied

<p>10.5 Personal Bank Statements</p>	<p>Option 1: Personal bank statements with evidence of business bank account</p> <ul style="list-style-type: none"> • 100% of business deposits in a personal bank account can be used • Provide the most recent 2 months business statements to validate deposits are from the borrower owned business bank account. (Only giving credit for transfers from the business; or receipt of payroll from business and distribution only) <p>Option 2: Personal bank statements with no business bank account</p> <p>Comingled business and personal with no business account for non-service businesses are considered as business bank statements with the appropriate expense factor (20% Service Business, 50% non-service business) applied. See section 10.6</p> <ul style="list-style-type: none"> • Deposits from self-employment business only, will be included into bank statement calculation • A trend of repeated expense not reported on the credit report may need additional explanation and may be considered a liability <p>Qualifying Income:</p> <ul style="list-style-type: none"> • Qualifying is total eligible deposits divided by 12 months (Personal bank statement average (total eligible deposits / 12 months))
<p>10.6 Business Bank Statements</p>	<ul style="list-style-type: none"> • Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income • Borrowers who are using more than 3 separate bank accounts must qualify using personal bank statements • Customary business debt such as auto or a business credit card may be excluded from the DTI when evidenced of 12 months payments made from the business statements. Does not apply to 20% Expense Ratio method. Mortgage debt may not be excluded from DTI when paid by the business • Qualification (must use one of the following two options): <ul style="list-style-type: none"> ◦ The expense ratio should be reasonable for the profession - for all qualifying methods <ul style="list-style-type: none"> ▪ Example: A home-based sole practitioner consultant can be expected to have a lower expense ratio, while a retail business that has a full staff of employees, fleet of vehicles, and relies heavily on inventory to generate income will have a higher expense ratio. To the extent that Orion Lending has evidence or other reason to believe that the reasonable expense ratio for a business is higher than the Fixed Expense Ratio methodology, Orion Lending may determine, in its sole discretion, may require the borrower to follow Option 2 • Orion Lending reserves the right to request additional information, including 1040, 1120, and 1065 tax documentation <ul style="list-style-type: none"> ◦ The expense ratio should be consistent with the revenue and expenses in the business bank statements <ul style="list-style-type: none"> ▪ Businesses that have significant pass-through revenues, such as retail businesses that perform check cashing services or sell lottery tickets, or investment firms that receive outside investment capital, are not eligible

10.7 Calculation Methods

BUSINESS BANK STATEMENTS	
Option 1 – Fixed Expense Ratio	Option 2 – Third Party Provided Expense Ratio
To determine net income, multiply eligible business deposits by the Expense Ratio determined below	
<p><u>All businesses can qualify using a 50% expense ratio:</u></p> <p>Option 1: 50% Expense Ratio will be used if the following applies:</p> <ul style="list-style-type: none"> • Max 90% LTV (Purchase Only) • Any loan with LTV > 85, will be required to use 50% expense factor • Verify the borrower is minimum 25% owner of business • Decreasing or negative ending balances must be addressed • Cyclical and seasonal trends may be taken into consideration <p>Option 2: 20% Expense Ratio eligible if the following applies:</p> <ul style="list-style-type: none"> • Max LTV 85% • Borrower is a sole owner and operator of the business <ul style="list-style-type: none"> ◦ No partners, employees, etc. • Service Business <ul style="list-style-type: none"> ◦ No cost of goods, no heavy equipment or machinery, etc. • Does not require office space that would incur rent 	<p><u>(CPA/Tax Attorney/Enrolled Agent/CTEC)</u></p> <ul style="list-style-type: none"> • Purchase & Rate/Term <ul style="list-style-type: none"> ◦ Max LTV 80% • Cash Out <ul style="list-style-type: none"> ◦ Max LTV 75% • 15% Floor – Must be reasonable for the industry • 3rd party must have filed most recent business tax returns • The Tax Professional will provide an expense statement specifying business expenses as a percentage of the gross revenue. 15% floor • The Tax Professional attesting to the Expense Ratio must also attest that they have filed the borrower's most recent years business tax returns (expense statement may not contain qualifying language) • The Tax Professional must certify that the Expense Ratio represents an accurate summary of the applicable cash expenses of the business • Tax Professional must verify the borrower's ownership percentage • Tax Professional license must be verified • To determine net income, multiply eligible business deposits by the following: 100% minus the Expense Ratio as described above • CPA letter must be on letterhead and originate from CPA office, DocuSign not allowed <ul style="list-style-type: none"> ◦ Click here for Tax Professional Attestation Form • NOTE: Self-employed borrowers who file their own tax returns are not eligible

Section 11 – Income Documentation – 12/24 Month CPA/EA/CTEC Profit and Loss

11.1 Documentation Requirements

- Minimum 680 FICO
- Primary Residence only
- Must be a U.S. based business
- \$2,000,000 Maximum Loan Amount
- Max LTVs: 80% Purchase / 75% Rate & Term / 70% Cash Out
- Self-Employed borrowers only
- Self-Employed defined as borrower(s) owning $\geq 50\%$ ownership of respective business
 - Ownership percentage must be documented via CPA/EA/CTEC letter, Operating Agreement or equivalent
 - P & Ls with expenses representing $< 15\%$ of total revenue are ineligible. Expense factor must be reasonable for the industry
- Most recent 12- or 24-month Profit & Loss statement (P & L). P & L end date must be less than 90 days old at closing
- All Profit & Loss statements must be completed by an independent CPA/EA/CTEC
- The CPA/EA prepared P & L must be wet signed by both the borrower and CPA/EA/CTEC
 - The CPA/EA/CTEC preparing the P & L must have filed the borrower's most recent business tax return
 - CPA/EA/CTEC must provide attestation that they prepared borrower's business tax returns and that they are not related to the borrower or associated with borrower or borrower's business.
 - If the tax professional has not filed their most recent business tax return, the following must be provided:
 - Two months business bank statements for the most recent two months reflected on the P & L
 - Bank statement deposits must support 80% of the monthly average revenue from the P & L. If the most recent 2 months of the bank statements do not support 80% of the gross revenue, continuous bank statements may be added to the analysis until the tolerance is met
- The CPA/EA/CTEC must attest that they have performed either the following functions:
 - Audited the business financial statements, or
 - Reviewed working papers provided by the borrower. The CPA/EA/CTEC must also attest that, based on this review, they certify that the P & L represents an accurate summary of the business cash flow and applicable cash expenses
 - Click [here](#) for Tax Professional Attestation Form
- Non-cash expenses on the P & L can be added back (i.e., depreciation, amortization, wages paid to borrower(s), etc.)
- CPA/EA/CTEC license must be verified
- Attestation may not contain qualifying language
- Self-employed borrowers who file their own tax returns are not eligible
- Minimum of 2 years self-employment in the current profession
 - Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- 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

Section 12 – Supplemental Income Sources – Bank Statements and 12/24 Month CPA/EA/CTEC P & L

12.1 Joint Accounts	<ul style="list-style-type: none"> Joint Accounts - A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows: <ul style="list-style-type: none"> 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
12.2 Component Sources of Income	<p>A borrower who has a self-employed business and also 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</p>
12.3 Rental Income	<ul style="list-style-type: none"> A current lease is required for all REO income properties <ul style="list-style-type: none"> Evidence that lease is market rent is required Proof of receipt of current month's rent Must provide proof of ownership If lease is not available, market rent must be obtained Lease or market rent must be reduced by a vacancy/expense factor of 15%
12.4 Short Term Rental/Variable Rental Income	<ul style="list-style-type: none"> Applicable for other real estate owned, not allowed for subject property Examples: Airbnb – VRBO- HomeAway Qualifying Income is 80% of one of the following: <ul style="list-style-type: none"> 12 months evidence of receipt via 3rd party service provider payment receipt history deposits. Income is calculated based on the average deposits over a 12-month history, including zero deposit months, or If 12 months statements are not available, market rents for permanent tenant can be used Market rents (rent range, rentometer, etc.) Requires property ownership report and proof of property listing on Website Must be permitted in accordance with local ordinances
12.5 Trust Income	<ul style="list-style-type: none"> Income from trusts may be used if constant payments continue for at least the first 3 or 5 years of the mortgage term as evidenced by trust income documentation. 5 year is required if income source is > 50% of the loans total qualifying income <ul style="list-style-type: none"> Trust Agreement and Trust Asset Statement is required to confirm amount, distribution frequency, and duration of payments At least one distribution must have been made prior to close

12.6 Alimony/Child Support	<ul style="list-style-type: none"> Final Divorce decree or legal separation agreement required with 3-year continuance from Note date Must provide payment evidence of 6 months via cancelled checks, deposit slips, or bank records <ul style="list-style-type: none"> If receipt amounts vary, use the lower of the average or amount from the decree or legal separation The monthly alimony obligation can be deducted from the consumer's gross income when calculating quantifying ratios 3 years continuance from Note Date is required
12.7 Note Receivable Income	<ul style="list-style-type: none"> Copy of the note confirming amount and length of payment 3 years continuance from Note Date is required Must provide payment evidence of 12 months via cancelled checks, deposit slips, or bank records
12.8 Royalty Payment Income	<ul style="list-style-type: none"> Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income –must document a 3-year continuance Must provide payment evidence of 12 months via cancelled checks or bank records/deposits
12.9 Retirement Income	<ul style="list-style-type: none"> The following types of income documentation are required: <ul style="list-style-type: none"> Copy of award letter or letters from the organizations providing the income and, Most recent 2 months bank statements showing deposit of funds 3 years continuance from Note Date is required
12.10 Self Employed/Wage Earner Combination	<ul style="list-style-type: none"> Joint borrowers with 1 wage earner and 1 self-employed business owner can verify income separately, with the self-employed borrower utilizing bank statements and the wage earner providing pay stubs/W-2s. W-2 transcripts required for wage earner only
Section 13 – Income Documentation – Express Doc – 1 yr. Income Documentation	
13.1 Wage Earner	<p>Documentation Requirements:</p> <ul style="list-style-type: none"> Wage Earner: Most recent YTD paystub (YTD figures must cover minimum of 30 days) or Electronic WVOE (i.e., The Work Number) is acceptable <ul style="list-style-type: none"> Written VOE if needed for the analysis of overtime, bonus or commission One-year W2 <ul style="list-style-type: none"> Tax transcripts in lieu of providing W-2 are eligible Tax transcripts required for the qualifying income year only Borrower must have a minimum of two years employment, with one year of income documented IRS 1040s are not required unless the borrower is also using other sources of income to qualify, i.e., interest dividends, capitals gains, etc.

13.2 1099 Borrowers

To qualify for 1099 income documentation, the Borrower(s) earnings must be 100% commission from one or several companies and in a profession that requires low overhead, i.e., independent contractors, commission employees, consultants, etc. Professions that require vehicle maintenance/repairs, office space, etc., must qualify using traditional income documentation or bank statements

Minimum history of Self-Employment:

- Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years
 - Less than 2 years self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession
 - Less than one year may not be considered as effective income. 1099's must be issued to the individual borrower (If the borrower is an entity being used to qualify, the 1099 must reflect the entity as the payer and the guarantor as the recipient). Borrower must have 100% ownership of the entity for the period of the 1099 being reviewed
- **1 or 2 years of 1099s permitted**
 - Qualifying income based on a 12 or 24 monthly average
- **Business Expense calculation method**
 - 10% Expense Factor – 90% of gross 1099 earnings
- **YTD earnings must be documented to support ongoing receipt of income reflected on 1099s**
 - Checks or a single check stub(s) with YTD totals or;
 - 3 months Bank statements or;
 - YTD earnings statements from the 1099 Business
- **YTD earnings from deposits must be at least 80% of qualifying income**
 - Earning impacted by seasonality may be considered with documented compensating factors
- YTD earnings may be averaged with validated 1099(s) with a 25% maximum increase
- Transcripts are required. **"No return found" will require alternative evidence (payment to IRS, CPA attestation)**

13.3 Self-Employed Borrowers

A borrower is considered self-employed if their ownership percentage is $\geq 25\%$

Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years self-employment history can be considered with documentation of a minimum of two years employment history in the same line of work or a related profession. Less than one year may not be considered as effective income

1099's must be issued to the individual borrower (If the borrower is an entity being used to qualify, the 1099 must reflect the entity as the payer and the guarantor as the recipient). Borrower must have 100% ownership of the entity for the period of the 1099 being reviewed

Documentation Requirements:

- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
 - CPA must be an independent 3rd party and have no relationship to the borrower
 - Letter must not contain qualifying language
 - Click [here](#) for Tax Professional Attestation Form
- One year's personal & business tax returns with YTD P & L (along with all schedules and K-1's)
 - A year-to-date P&L is required if the application is dated more than 120 days after the end of the business's tax year
- If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the priors' years tax returns
- Self-employed borrower income in a licensed profession (i.e., Medical, Legal, Accounting) will be considered from a business that's been in existence for less than 2 years, but greater than 1 year if the borrower has at least 2 years of documented previous experience in the same profession, or evidence of formal education in a related field.
- Borrowers who remained in the same industry but transitioned from W2 to 1099 with multiple companies must be in current position for at least 1 year and filed most recent tax returns
- Income from 1040s (interest, dividends, capital gains, etc.) not permitted
- Net operating losses may be excluded when evidence on business returns

A Company name change, or re-organization is considered continuous if within last 2 years or restructure (i.e. from sole proprietor to LLC, S-Corp, etc.)

13.4 Rental Income Calculation	<ul style="list-style-type: none"> • See section 8.17 Departing Residence for additional details • Negative rental income can be deducted from income rather than considered a liability (except departing residences and subject properties) • Borrower may provide leases and proof of rent in lieu of tax returns • 6 months' rent loss insurance required <p>Purchase Rental Income Calculation:</p> <ul style="list-style-type: none"> • Calculated at 85% of the market rent less PITIA <p>Refinance Rental Income Calculation:</p> <ul style="list-style-type: none"> • One (1) year tax return required <ul style="list-style-type: none"> ◦ Use FNMA Schedule E calculation • Not reported on tax returns due to acquisition since last filing or documented rehab; <ul style="list-style-type: none"> ◦ Document rents received via current lease (must be at or below market rents as evidence by internet rental searches) ◦ Proof of receipt of the most recent month's rent ◦ Lesser of lease or market rent must be reduced by a vacancy/expense factor of 15% 		
Section 14 – Asset Utilization			
14.1 Program Description	<ul style="list-style-type: none"> • The utilization of financial assets will be considered as borrower income to qualify for their monthly payments. The unrestricted liquid assets can be comprised of stocks/bonds/mutual funds, vested amount of retirement accounts and bank accounts • See section 14.2, for list of ineligible assets • This can be combined with other sources of income (i.e., rent, pension, social security etc.) self-employment and W2 income • All account holders must be borrowers on the loan 		
14.2 Ineligible Assets	<table border="0"> <tr> <td> <ul style="list-style-type: none"> • 529 Accounts • Accounts pledged as collateral on another loan • Assets titled in an irrevocable trust • Below investment grade corporate and municipal bonds • Business Funds • Cash out refinance proceeds <ul style="list-style-type: none"> ◦ Delayed Financing Proceeds allowed • Custodial accounts • Deferred compensation • Crypto Currency unless seasoned and liquidated to U.S. Dollars </td><td> <ul style="list-style-type: none"> • Escrow accounts • Foreign funds • Gift Funds • Health Savings Accounts • Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated • Non-liquid assets (auto, artwork, business net worth, etc.) • Non-regulated financial companies • Non-vested restricted stock units • Privately held stock • Stock options • SBA loans and paycheck protection funds </td></tr> </table>	<ul style="list-style-type: none"> • 529 Accounts • Accounts pledged as collateral on another loan • Assets titled in an irrevocable trust • Below investment grade corporate and municipal bonds • Business Funds • Cash out refinance proceeds <ul style="list-style-type: none"> ◦ Delayed Financing Proceeds allowed • Custodial accounts • Deferred compensation • Crypto Currency unless seasoned and liquidated to U.S. Dollars 	<ul style="list-style-type: none"> • Escrow accounts • Foreign funds • Gift Funds • Health Savings Accounts • Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated • Non-liquid assets (auto, artwork, business net worth, etc.) • Non-regulated financial companies • Non-vested restricted stock units • Privately held stock • Stock options • SBA loans and paycheck protection funds
<ul style="list-style-type: none"> • 529 Accounts • Accounts pledged as collateral on another loan • Assets titled in an irrevocable trust • Below investment grade corporate and municipal bonds • Business Funds • Cash out refinance proceeds <ul style="list-style-type: none"> ◦ Delayed Financing Proceeds allowed • Custodial accounts • Deferred compensation • Crypto Currency unless seasoned and liquidated to U.S. Dollars 	<ul style="list-style-type: none"> • Escrow accounts • Foreign funds • Gift Funds • Health Savings Accounts • Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated • Non-liquid assets (auto, artwork, business net worth, etc.) • Non-regulated financial companies • Non-vested restricted stock units • Privately held stock • Stock options • SBA loans and paycheck protection funds 		

14.3 Program Requirements

- Primary and 2nd home - Maximum LTV/CLTV of 80%
- Investment Property – Max LTV/CLTV of 65%
- Cash Out – Max 60% LTV/CLTV
 - Cash out proceeds may not be used as qualified assets
- Reserves not required
- **Requirements:**
 - Statement(s) dated at or greater than 120 days old as of the application date **AND**
 - Most recent statement as of application date
 - If statements are monthly,
 - The statement(s) must be at least 120 days old as of application date
 - The most recent statement must be dated within 45 days of the application date
 - If statements are quarterly,
 - The two most recent full quarterly statements
 - If the most recent quarterly statement will be greater than 120 days as of the note date, a 30-day printout for each account will be required prior to final approval
 - Borrowers must have a minimum of the lesser of
 - \$1mm in Qualified Assets OR
 - 1.25 times the loan balance Qualified Assets, but never less than \$250K liquid assets
 - **Not permitted:**
 - Gift funds
 - Foreign Assets
 - Business Funds
 - SBA Loans
 - See [section 16.2](#) for additional ineligible assets
- **Assets:**
 - Borrower must have a minimum of \$250K in post-close liquid net assets
 - Assets used for qualifying must be seasoned 120 days
 - Seasoning not required if assets are from the sale of business, inheritance, or legal settlement etc. Documentation verifying ownership of assets is required. Cash out from delayed financing is eligible with proper documentation
- **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 market accounts, cash value/surrender value of Life Insurance, equity proceeds from concurrent sale
 - 80% of the remaining value of publicly traded stocks/bonds/Mutual Funds/Annuities
 - Annuities are permitted with attestation from borrowers' asset manager or account representative confirming terms, penalties etc.
 - 70% for all vested retirement accounts (401(k) IRA, SEP, KEOGH)
- **Qualifying Income:**
 - Qualified assets with utilization draw schedule of 5 years (Qualified Assets divided by 60).

Section 15 – Supplemental Income Sources – Full Doc, Express Doc, and Asset Utilization

15.1 Alimony and Child Support	<ul style="list-style-type: none"> Final Divorce decree or legal separation agreement required with 3-year continuance from Note date If receipt amounts vary, use the lower of the average or amount from the decree or legal separation Must provide payment evidence of 6 months via cancelled checks, deposit slips, or bank records The monthly alimony obligation can be deducted from the consumer's gross income when calculating quantifying ratios
15.2 Boarder Income	<ul style="list-style-type: none"> Allowable on full doc loans if income is declared on tax returns.
15.3 Bonus and Commission	<ul style="list-style-type: none"> A 2-year average is required unless the borrower recently moved to a commission basis. <ul style="list-style-type: none"> Consideration of > 1 year and < 2 years may be permitted based on FNMA guidelines
15.4 Capital Gains	<ul style="list-style-type: none"> 2 years of tax returns required and an analysis of post-closing assets' ability to produce capital gains
15.5 Employment History	<ul style="list-style-type: none"> Employment is considered stable if the borrower has a 2-year work history in the same job or field. A minimum of 2 years of employment is required unless recently graduated from college/university, trade school, or completion of formal training. Minimum 1 year work history required
15.6 Employment Gaps/Extended Absence	<ul style="list-style-type: none"> Borrower must explain any employment gaps exceeding 30 days in the last 12 months Extended Absence – Must be employed for at least 6 months when returning from an extended absence (defined as 6 months) and must document (VOEs or W2s) a 2-year work history prior to an absence.
15.7 Employee Business Expense	<ul style="list-style-type: none"> Employee business expenses (form 2106) reported on tax returns are actual cash expenses and must be deducted from income
15.8 Family-Owned Business	<ul style="list-style-type: none"> Borrower's signed federal income tax returns filed with the IRS are required if the borrower is employed by family members or provide evidence borrower has no ownership interest (e.g., corporate returns with ownership percentages.)

15.9 Foreign Income	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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
15.10 Foster / IHSS / Parsonage	<ul style="list-style-type: none"> Foster/IHSS/Parsonage eligible with 2 years history and 3-year continuance
15.11 Non-Taxable Income	<ul style="list-style-type: none"> Non-taxable income may be grossed up 125% with confirmation from the tax returns that the income is non-taxable
15.12 Retirement Account Distributions	<ul style="list-style-type: none"> IRA distributions cannot be set up post application date unless the borrower is required to start withdrawing based on age (for IRA's). In such cases, 125% of the required minimum amount can be used to qualify Distributions must have been received at least one month prior to application to be considered as eligible income. Distributions that have been received for 2 months or more can be adjusted with a letter from the plan administrator validating the increase <ul style="list-style-type: none"> Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 3 years at the proposed monthly amount is required Self Employed borrowers who contribute to their own self-funded pension as reported on the most recent filed tax returns are eligible to be added back as income
15.13 Note Receivable Income	<ul style="list-style-type: none"> Copy of the note confirming amount and length of payment Must provide payment evidence of 12 months via cancelled checks, deposit slips, or bank records <ul style="list-style-type: none"> Notes with less than 12 months seasoning may be considered by underwriters, but never less than 9 months (e.g., sold a business and took back a note)

<p>15.14 Employment Contracts</p>	<p>A borrower scheduled to begin employment under the terms of an employment offer of contract may be eligible</p> <ul style="list-style-type: none"> • Document fully executed offer and acceptance with all contingencies removed <ul style="list-style-type: none"> ◦ If conditions of employment exist, confirm prior to closing that all conditions of employment are satisfied either by verbal verification or written documentation • Provide a paystub that includes sufficient information to support the income used to qualify the borrower based on the offer or contract at time of funding OR <ul style="list-style-type: none"> ◦ Income from the paystub provided and VVOE must align with the contract/offer used to qualify • Document, in addition to the amount of reserves required for the loan transaction, one of the following: <ul style="list-style-type: none"> ◦ 6 months PITI(A) OR ◦ Reserves sufficient to cover the monthly liabilities included in the DTI, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any portion of a month as a full month • Variable income cannot be used to qualify
<p>15.15 Restricted Stock Units</p>	<p>Restricted Stock and Restricted Stock Units (RSUs) are nontransferable and subject to forfeiture unless certain employment and performance conditions are met. Stocks must be publicly traded</p> <p>Restricted Stock is a regular and reoccurring form of compensation granted to certain employees and executives</p> <p>Restricted Stock Units (RSUs) represent an unsecured promise by an employer to grant a set number of shares of stock to the employee. They are nontransferable and subject to forfeiture</p> <p>Restricted stock and RSU's may only be considered once they become fully vested. A vesting schedule must be provided to confirm future scheduled amounts and vesting dates.</p> <p>If the vesting schedule supports a regular and reoccurring release of stock that supports the amount and continuance used to qualify, future allocations do not need to be fully vested at the time of the application.</p> <ul style="list-style-type: none"> • Documentation Requirements <ul style="list-style-type: none"> ◦ Current paystub, 2 years W2s and tax returns evidencing one-year history of receipt of restricted stocks. If not clearly identifiable on the W2s, year-end paystubs may also be required to identify receipt ◦ If the borrower has less than two years with current employer, must document the borrower's prior employment compensation including restricted stocks and the borrower has received at least one award with the current employer that is vested. The previous employment must have been a similar position and industry, and issuance of restricted stock must be common for the industry. ◦ Vesting schedule to provide schedule of distribution of units and show no indications the borrower will cease to receive future restricted stocks at the same historical level • Calculation of Income <ul style="list-style-type: none"> ◦ A one-year average of prior income received in RSUs or stock option will be used ◦ Use of the lower value of the current stock price or a 52-week average of the stock price

<p>15.16 Retirement or Pension Income</p>	<ul style="list-style-type: none"> Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension. One of the following types of income documentation is required: <ul style="list-style-type: none"> Award letter(s) from the organizations providing the income Retirement award letter or benefit statement Most recent personal income tax return with all schedules Most recent W2 or 1099 Proof of receipt of one month of the income If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three years after the date of the mortgage application. Eligible retirement account balances (from a 401(k), IRA, or Keogh) may be combined for the purpose of determining whether the three-year continuance requirement is met. Social Security income for retirement or long-term disability that the borrower is drawing from his or her own account/work record will not have a defined expiration date and must be expected to continue. However, if Social Security benefits are being paid as a benefit for a family member of the benefit owner, that income may be used in qualifying if the lender obtains documentation that confirms the remaining term is at least three years from the date of the mortgage application.
<p>15.17 Rental Income</p>	<p>See section 8.17 Departing Residence for additional details</p> <ul style="list-style-type: none"> Negative rental income can be deducted from income rather than considered a liability (except departing residences and subject properties) Borrower may provide leases and proof of rent in lieu of tax returns 6 months' rent loss insurance required <p>Calculation:</p> <ul style="list-style-type: none"> Purchase transactions: <ul style="list-style-type: none"> Rental income will be calculated at 85% of market rent less PITIA Refinance: <u>Tax returns programs:</u> <ul style="list-style-type: none"> Rental is calculated from schedule E <ul style="list-style-type: none"> Full Doc – 2 years tax returns Express Doc – 1 year tax returns Asset Utilization – Qualify as no tax return program (below) Refinance: <u>No tax return programs</u> <ul style="list-style-type: none"> Income derived from rental real estate is qualified by documenting the following: <ul style="list-style-type: none"> Current lease on the REO (must be at or below market rents as evidence by internet rental searches) Proof of receipt of the most current month's rent Calculate income or loss based on 85% of the lease less the documented PITIA

15.18 Short Term Rental/Variable Rental Income	<ul style="list-style-type: none"> • Applicable for other real estate owned, not allowed for subject property • Examples: Airbnb – VRBO- HomeAway • Qualifying Income is 80% of one of the following: <ul style="list-style-type: none"> ◦ 12 months evidence of receipt via 3rd party service provider payment receipt history deposits. Income is calculated based on the average deposits over a 12-month history, including zero deposit months, or ◦ If 12 months statements are not available, market rents for permanent tenant can be used ◦ Market rents (rent range, rentometer, etc.) • Requires property ownership report and proof of property listing on Website • Must be permitted in accordance with local ordinances • Subject property purchase or refinance ineligible – must be other real estate owned
15.19 Rent Rolls	<ul style="list-style-type: none"> • Allowed for verification of rent received if provided by a third-party, disinterested property management company
15.20 Second Jobs	<ul style="list-style-type: none"> • Second job income considered stable if received for 2 years and likely to continue. Less than 2 years may be approved by underwriting if the employment profile is consistent with two jobs. Underwriter must document reason(s) on 1008. Less than 1 year is unacceptable
15.21 Temporary Leave Income	<ul style="list-style-type: none"> • The lesser of the borrower's temporary leave income (if any) or the regular employment income is used to qualify. Follow FNMA guidance
15.22 Trust Income	<ul style="list-style-type: none"> • Income from trusts may be used if constant payments will continue for at least the first 3 years of the mortgage term as evidenced by trust income documentation • Trust Agreement required confirming amount, distribution frequency, and duration of payments • At least one distribution must have been made prior to closing
15.23 VVOE	<ul style="list-style-type: none"> • A VVOE is required for all wage earner borrowers and must be completed within 10 business days of the note date
15.24 Ineligible Income	<ul style="list-style-type: none"> • Rental income from a second home • Education benefits • Trailing Spouse Income • Medical marijuana dispensaries • Any income related to recreational marijuana use regardless of local and state law • Gambling income including internet gambling • SBA Loans or paycheck protection funds

Section 16 – Assets, Source of Funds, & Reserves (Excludes Asset Utilization)

16.1 Eligible Assets

- All pages of the most recent required monthly statements, the most recent quarterly statement, or FNMA approved third party direct pull services as indicated in [Section 16.3](#)
 - An LOE is required on purchase transactions for large deposits (exceeding 50% of the total monthly qualifying income)
 - If LOE is sufficient, no sourcing is required
- Exchange traded Stocks/Bonds/Mutual Funds – 100% may be used for reserves
- Vested Retirement Accounts – 100% may be considered for reserves
 - Terms of withdrawal not required
 - If needed to close, verification that funds have been liquidated (if applicable) is required
 - If borrower will have remaining funds > 20% of those needed for closing in the account, documentation of liquidation is not required
 - Example:
 - Required funds to close: \$10,000
 - Available funds: \$15,000
 - Since the borrower has 50% more funds than required, documentation of liquidation is not required
- Earnest money deposit – Follow FNMA requirements.
 - Verification of EMD is not required unless needed to meet minimum borrowers' contribution
- A borrower, who is also the realtor of the subject property, may use the commission earned (commission must be market rate) towards the transaction. The borrower must have sufficient funds verified for closing and reserves without the commission
- Secured borrower funds are allowed for down payment and closing costs (ex. HELOC)
- Builder profits are not allowed
- COVID-19 Paycheck Protection funds may not be used for income qualification or assets
- Repayment of loan without bank records to show the initial loan disbursement are not allowed
- Non-borrowing titleholder or member of LLC/entity who is contributing assets is not considered a gift, requirements below:
 - One month asset statement required
 - No gift letter required
- A non-borrowing spouse who is not residing in the subject property is considered a gift. See [section 16.6](#) for requirements
- SBA loans or paycheck protection funds may not be used as assets, income, down payment, closing costs, reserves

16.2 Ineligible Assets and Sources of Funds	<ul style="list-style-type: none"> • 529 Accounts • Accounts pledged as collateral on another loan (even \$0 balance and/or undrawn) • Assets titled in an irrevocable trust • Below investment grade corporate and municipal bonds • Custodial accounts • Deferred compensation • Escrow Accounts • Foreign funds • Cash on hand • Health Savings Accounts • Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated • Non-liquid assets (auto, artwork, business net worth, etc.) • Non-regulated financial companies • Non-vested restricted stock units • Privately held stock • Stock options • Builder profits
16.3 Asset Documentation	<ul style="list-style-type: none"> • Asset Utilization <ul style="list-style-type: none"> ◦ See section 14.3 • Purchase & Rate Term Refinance <ul style="list-style-type: none"> ◦ Most recent 1-month statement at time of application • Cash Out <ul style="list-style-type: none"> ◦ May be used to meet the reserve requirement <ul style="list-style-type: none"> ▪ Statements not required for Cash-Out transactions which satisfy reserves ◦ If cash out amount does not satisfy the reserve requirement, follow asset documentation for Rate/Term (above)
16.4 Reserves	<ul style="list-style-type: none"> • Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA or ITIA if Interest Only • Cash Out may be used to meet reserve requirements • Gift Funds used as reserves – see Gift Fund guides (Section 16.6) for details • Assets being used for dividend and interest income may not be used to meet reserve requirements • Restricted stock is ineligible for to be used for reserves • Departing Residence Pending Sale <ul style="list-style-type: none"> ◦ An additional 6 months PITIA reserves for the departure residence in required if payment is being excluded and property is under contract. • Asset Utilization – Section 14.3
16.5 Market Based Assets	<ul style="list-style-type: none"> • Market-based asset account documentation updated within 30 days of note date. Applicable for assets used for reserves.

16.6 Gift Funds	<ul style="list-style-type: none"> Primary Purchase transaction only <ul style="list-style-type: none"> Borrower must have 5% of their own funds documented, but not required to use <ul style="list-style-type: none"> Borrowers with no Housing History must have 10% of their own funds documented Gift of Equity allowed up to 75% LTV/CLTV (primary only) – subject property mortgage rating from seller is required If minimum borrower contribution is not used towards the down payment, those funds can be used towards reserves Non-borrowing titleholders or member of LLC/entity who is contributing funds is not considered a gift but must be seasoned and sourced. One month asset statement required. No gift letter required Non-borrowing spouse residing or will reside in property who is contributing funds is not considered a gift but must be seasoned and sourced. One month asset statement required. No gift letter required Gifts must be from a source as defined by FNMA
16.7 Business Funds	<ul style="list-style-type: none"> Business accounts may only be used to meet down payment and/or reserve requirements if: <ul style="list-style-type: none"> 100% ownership of the business across borrowers Shared ownership requires an access letter from partners allowing the use of the business funds by the borrower
16.8 Life Insurance Cash Value	<ul style="list-style-type: none"> Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves.
16.9 Foreign Assets	<ul style="list-style-type: none"> Foreign assets are acceptable and must be 60 days seasoned with the 2 most recent bank statements. Any foreign assets used for verification and/or qualification must be transferred to a US Bank account, if funds are being used for down payment and/or reserves
16.10 Bitcoin (Crypto Currencies)	<ul style="list-style-type: none"> Allowed for down payment, closing costs, and reserves with evidence of ownership and liquidation to U.S. dollars
16.11 Sale of Personal Assets	<ul style="list-style-type: none"> 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
16.12 Non-Borrowing Spousal Accounts/ Access Letter	<ul style="list-style-type: none"> Access Letters required for Bank Statement Income Program only Non-borrowing joint account holder affidavit is required to ensure no deposits by that non-borrower are included as income.

Section 17 - Property			
17.1 Appraisal	<ul style="list-style-type: none"> Loan amount \geq \$2,000,000 and $>$ 65% LTV/CLTV <ul style="list-style-type: none"> 2 full appraisals required HPML flips require 2nd full appraisals – Section 7.13 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 Transferred appraisals are acceptable, unless ordered by the borrower or affiliate of the property seller. For 2-4-unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required Interior inspections required, including photos, according to USPAP guides Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed Negative property influences must be disclosed and adjusted accordingly by appraiser, including but not limited to: Water Tower, Cell Tower, Gas Station, Railroad Tracks, Landfill/Dump, Auto Repair, Auto Sales, Highway Overpass, On- & Off-Ramp, Billboards/Advertisements, Airports, Hospitals, Police & Fire Stations Properties with unpermitted additions: <ul style="list-style-type: none"> Appraiser to determine if addition is completed in a workman like manner 		
17.2 Appraisal Review	<p>A third-party appraisal review is required unless the loan file contains:</p> <ul style="list-style-type: none"> An eligible score of 2.5 or less from Collateral Underwriter® (CU®), or A second appraisal <p>Eligible third-party review products are:</p> <ul style="list-style-type: none"> A CDA from Service Link <ul style="list-style-type: none"> If the enhanced desk review (CDA) reflects a value more than 10% (5% for loans at 90% LTV) below the appraised value or cannot provide a validation, the next option would be either a field review or a second appraisal A field review, which may not be from the same appraiser or appraisal company as the original report Report must provide an “as is” value for the subject property (the “Appraisal Review Value”) and be effective prior to the note date 		
17.3 Eligible Property Types	<table border="0"> <tr> <td> <ul style="list-style-type: none"> SFR, Condo, PUD (Max 6 bedrooms) 2-4 Units Live/Work Condos – Follow FNMA Mixed Use – Primary only – max 4 units (Section 17.7) Modular/Prefabricated/Panelizes or Sectional housing Agricultural Zoning </td><td> <ul style="list-style-type: none"> Rural Properties (Section 17.6) Warrantable Condos (max 85% LTV/CLTV) Non-Warrantable Condos (max 80% LTV/CLTV) 10 Acre Maximum (omitting acreage to meet guideline limit is not permitted) Mandatory Country Club: <ul style="list-style-type: none"> No more than 10% of Purchase Price </td></tr> </table>	<ul style="list-style-type: none"> SFR, Condo, PUD (Max 6 bedrooms) 2-4 Units Live/Work Condos – Follow FNMA Mixed Use – Primary only – max 4 units (Section 17.7) Modular/Prefabricated/Panelizes or Sectional housing Agricultural Zoning 	<ul style="list-style-type: none"> Rural Properties (Section 17.6) Warrantable Condos (max 85% LTV/CLTV) Non-Warrantable Condos (max 80% LTV/CLTV) 10 Acre Maximum (omitting acreage to meet guideline limit is not permitted) Mandatory Country Club: <ul style="list-style-type: none"> No more than 10% of Purchase Price
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<p>17.4 Ineligible Property Types</p>	<ul style="list-style-type: none"> • Assisted Living/Continuing Care Facilities • Barndominiums • Bed & Breakfast • Builder Inventory • Boarding Houses/Individual Room Leases • Builder Model Leaseback • C5 or C6 property condition grades • Commercial Zoned (unless condo) • Community Land Trusts • Condotels • Fractional Ownership/Time Shares • Geodesic Domes • Native American Leased Land • Leased land if lease term does not exceed term of loan by 5 years • Lava zones 1 & 2 • Properties < 500 sq ft per unit – Kitchenettes not allowed • Log Homes or Log Home Characteristics • Manufactured Homes • Properties under construction • Shouses (shed house) • Tenants in Common • Mandatory Rental Pools* • Unique Properties • Working Farms • Zoning violations • Industrial zoning • Subject Property Short Term Rentals • Properties without year-round public access <p>*A rental pool in which the HOA also requires a certain # days the property needs to be made available for the HOAs rental team to offer out is ineligible.</p>
<p>17.5 Accessory Dwelling Units (ADU)</p>	<ul style="list-style-type: none"> • Appraiser to confirm ADU is typical to the area with supporting comparables • Rental income may be used for purchases and refinances with supporting appraisal comparable which contains accessory units, Appraisal market rents survey, and lease with 1 month evidence receipt of income (for refinance) • Unit should not jeopardize potential future hazard insurance claim(s) • Conforms to all zoning laws/regulations including permit requirements • Unpermitted ADUs must be completed in a workman like manner and conform to the subject property. No rental income may be used to qualify • No more than one ADU per property • Not permitted on 4-unit properties • Manufactured Home ADUs are not permitted

17.6 Rural Properties

Maximum LTV/CLTV

- **Primary Residence**
 - Max 75% LTV/CLTV
- **Second Home**
 - Max 70% LTV/CLTV
- **Investment**
 - Not Eligible

A property is generally considered rural when any of these characteristics are present:

- Zoned Rural, Rural Residential, RA, Agricultural, or no zoning
- Appraisal is marked Rural
- Appraisal commentary references rural and rural characteristics
- Outbuildings including barns, stables, workshops, crop storage etc.
- No paved service road
- Neighborhood is less than 25% built up
- Subject is in a community with a population of less than 25,000
- Distance to schools, employment, other services is more than 60 miles

Acceptable residential with rural designation with the following characteristics:

- Must be primarily for residential use
- Property must not be agricultural or provide a source of income to the borrower
- Agricultural properties must not be commercial or income producing
- Lot size and acreage must be typical for the area and similar to the surrounding properties
- Present use as per the appraisal must be the "highest and best use" for the property
- Two of three comps must be less than 5 miles from subject
- Outbuildings may be considered with less than 5% contributory value and at least two comparables with similar structures
- Neighborhood is more than 35% built up
- Subject is in a community with a population of at least 10,000
- Distance to a major MSA with population of at least 100,000 is 50 miles
- Distance to employment and other services is a maximum of 25 miles

<p>17.7 Mixed Use</p>	<p>Orion Lending will allow properties that have a business use in addition to their residential use provided that special eligibility criteria are met. These business uses can include, but are not limited to, properties with space set aside for day care facilities, beauty or barber shops, or doctor's offices.</p> <p>The following special eligibility criteria must be met:</p> <ul style="list-style-type: none"> • 10% LTV reduction for properties designated as "mixed use" on appraisal. <ul style="list-style-type: none"> ◦ Reduction not required for LTV/CLTV of 65% and below. • The property must be a 1-3 unit or PUD that the borrower occupies as a principal residence. <ul style="list-style-type: none"> ◦ Properties with ADU units are eligible when the accessory unit is used for the business. ADU must be legally zoned. ◦ The property must be primarily residential in nature (50.01% of the overall living space) ◦ Condominium units are ineligible ◦ Business must require licensure to operate - Overnight use is ineligible ◦ The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.
<p>17.8 Agricultural Zoning</p>	<ul style="list-style-type: none"> • May be eligible when all the following exist: <ul style="list-style-type: none"> ◦ Highest and best use of the subject property is residential ◦ Subject property is used as a residence and is typical for the neighborhood or market area ◦ The appraiser adequately demonstrates that the subject neighborhood is residential in nature ◦ Residential use is permissible under the zoning and land use regulations ◦ Property adheres to the maximum acreage standards ◦ Not eligible for properties designated as rural • The appraiser must also provide detail of any outbuildings on the property: <ul style="list-style-type: none"> ◦ Size of the outbuildings ◦ Are the outbuildings being used for a special purpose ◦ Do the comparable sales have similar outbuildings ◦ Is the property residential in nature – no agricultural or commercial use • No value should be given to any auxiliary buildings

17.9 Commercial Influence	<ul style="list-style-type: none"> • Ineligible properties near Commercial Influence: <ul style="list-style-type: none"> ◦ Environmental Hazards with potential impact to health and safety ◦ Industrial factory ◦ Located in an area not confirming to the neighborhood (i.e., few residential properties in density) ◦ Power plants • Appraisal Requirements for Homes near Commercial Influence <ul style="list-style-type: none"> ◦ Minimum 1 comparable with similar commercial influence ◦ Commercial influence adjustments if all comps are not located within commercial influence 								
17.10 Multiple Dwellings / APNs	<ul style="list-style-type: none"> • Properties with more than 1–4-unit dwellings are not eligible • Multiple APNs are acceptable if the subject property is on one parcel or across the lot line. Additional adjoining parcel(s) may not have additional dwelling unit(s) and is limited to non-residential improvements 								
17.11 Condos	<ul style="list-style-type: none"> • Condo project review must be in accordance with the FNMA Seller Guide. <ul style="list-style-type: none"> ◦ Must ensure there are no Ineligible Projects characteristics as defined by Fannie Mae, including projects in need of critical repair (such as a project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications (such as the Florida 30-Year Certification) specific to structural safety, soundness, and habitability), or the project would be considered non-warrantable and the non-warrantability characteristic must be listed as allowed per the below Non-Warrantable Condos eligibility table • Specialty Team to perform project review and designate as warrantable/non-warrantable • Condo projects must be 100% complete and HOA in control <table border="1" data-bbox="470 1065 1946 1531"> <tr> <td data-bbox="470 1065 1052 1166"> No Project Review </td><td data-bbox="1052 1065 1946 1166"> <ul style="list-style-type: none"> • Detached condos • 2- to 4-unit projects </td></tr> <tr> <td data-bbox="470 1166 1052 1300"> Limited Review for Established Projects <u>except</u> Florida </td><td data-bbox="1052 1166 1946 1300"> <ul style="list-style-type: none"> • Primary: ≤ 85% LTV/CLTV • Second Home: ≤ 75% LTV/CLTV • Non-Owner: ≤ 75% LTV/CLTV </td></tr> <tr> <td data-bbox="470 1300 1052 1435"> Limited Review for Established Projects in Florida </td><td data-bbox="1052 1300 1946 1435"> <ul style="list-style-type: none"> • Primary: ≤ 75 LTV/CLTV • Second Home: ≤ 70% LTV/CLTV • Non-Owner: ≤ 70% LTV/CLTV </td></tr> <tr> <td data-bbox="470 1435 1052 1531"> Full Review </td><td data-bbox="1052 1435 1946 1531"> <ul style="list-style-type: none"> • All new projects • Project ineligible for limited review </td></tr> </table>	No Project Review	<ul style="list-style-type: none"> • Detached condos • 2- to 4-unit projects 	Limited Review for Established Projects <u>except</u> Florida	<ul style="list-style-type: none"> • Primary: ≤ 85% LTV/CLTV • Second Home: ≤ 75% LTV/CLTV • Non-Owner: ≤ 75% LTV/CLTV 	Limited Review for Established Projects in Florida	<ul style="list-style-type: none"> • Primary: ≤ 75 LTV/CLTV • Second Home: ≤ 70% LTV/CLTV • Non-Owner: ≤ 70% LTV/CLTV 	Full Review	<ul style="list-style-type: none"> • All new projects • Project ineligible for limited review
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Limited Review for Established Projects in Florida	<ul style="list-style-type: none"> • Primary: ≤ 75 LTV/CLTV • Second Home: ≤ 70% LTV/CLTV • Non-Owner: ≤ 70% LTV/CLTV 								
Full Review	<ul style="list-style-type: none"> • All new projects • Project ineligible for limited review 								

<p>17.12 Non-Warrantable Condominiums</p>	<table border="1"> <thead> <tr> <th colspan="2">Non-Warrantable Condos (Limited to two (2) items noted below)</th></tr> </thead> <tbody> <tr> <td>Max LTV</td><td>Max 80% LTV/CLTV</td></tr> <tr> <td>Presale</td><td>At least 30% of the units must be sold or under bona fide contract</td></tr> <tr> <td>Investor Concentration</td><td>Up to 70% of units can be tenant occupied</td></tr> <tr> <td>Commercial Space</td><td>Up to 50%</td></tr> <tr> <td>Recreational Leases</td><td>Eligible</td></tr> <tr> <td>Single Entity Ownership</td><td>A single entity can own up to 30% of units</td></tr> <tr> <td>Insurance Coverage</td><td>Coverage amounts less than the full replacement amount is ineligible (actual cash value not permitted)</td></tr> <tr> <td>Master Coverage Deductible</td><td>Max 10%</td></tr> <tr> <td>Reserves</td><td><10% replacement, maintenance, and/or deductible</td></tr> <tr> <td>Mandatory Memberships</td><td>Cannot exceed 10% of purchase price</td></tr> <tr> <td>Flood Insurance</td><td>Projects in a flood zone with no master flood coverage are ineligible. Borrower individual policies are not acceptable</td></tr> <tr> <td>Delinquent HOA</td><td>Up to 25%</td></tr> <tr> <td rowspan="2">Ineligible</td><td>Material Litigation - Structural/Functional litigation against developer</td></tr> <tr> <td>Newly Converted - Non-full gut rehabs</td></tr> </tbody> </table> <p>Note: Supporting documentation to determine warrantability must be provided</p>	Non-Warrantable Condos (Limited to two (2) items noted below)		Max LTV	Max 80% LTV/CLTV	Presale	At least 30% of the units must be sold or under bona fide contract	Investor Concentration	Up to 70% of units can be tenant occupied	Commercial Space	Up to 50%	Recreational Leases	Eligible	Single Entity Ownership	A single entity can own up to 30% of units	Insurance Coverage	Coverage amounts less than the full replacement amount is ineligible (actual cash value not permitted)	Master Coverage Deductible	Max 10%	Reserves	<10% replacement, maintenance, and/or deductible	Mandatory Memberships	Cannot exceed 10% of purchase price	Flood Insurance	Projects in a flood zone with no master flood coverage are ineligible. Borrower individual policies are not acceptable	Delinquent HOA	Up to 25%	Ineligible	Material Litigation - Structural/Functional litigation against developer	Newly Converted - Non-full gut rehabs
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<p>17.13 Escrow Holdbacks</p>	<ul style="list-style-type: none"> Escrow Holdbacks for repairs are not allowed 																													
<p>17.14 Properties Located in a Disaster Area</p>	<p>For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser prior to closing. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.</p> <p>For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA. https://inciweb.nwcg.gov</p>																													

Section 18 – Miscellaneous Guideline Requirements

18.1 Assumability	<ul style="list-style-type: none"> ARM products are assumable after the fixed rate period with prior approval and qualification
18.2 Recasting/Re-amortizing	<ul style="list-style-type: none"> Recasting or re-amortized transactions are not eligible
18.3 Rental Loss Insurance	<ul style="list-style-type: none"> 6 months' rent loss insurance required
18.4 Escrows	<ul style="list-style-type: none"> Required for HPML loans per CFPB, and LTVs > 85%
18.5 Temporary Buydown	<ul style="list-style-type: none"> Temporary buydown mortgage loans are not eligible
18.6 Interested Party Contributions	<ul style="list-style-type: none"> Maximum Interested Party Contributions (calculated based on purchase price) <ul style="list-style-type: none"> > 80% LTV/CLTV – 3% ≤ 80% LTV/CLTV – 6%
18.7 Solar, Pace, Hero	<ul style="list-style-type: none"> Solar leases are allowed if the lease payment is included in the DTI, equipment owner is responsible for any damage because of installation/removal/defect/malfunction, and equipment owner is not listed as loss payee of on the insurance policy. Must conform to FNMA Borrower to provide copy of lease for refinance. Purchases require copy of lease however reflecting in borrower's name to show they qualified for the transfer of solar lease Power purchase agreements are eligible. Not necessary to be included in DTI. Must conform to FNMA PACE loans (or any similar loans with payments that are included in property taxes) are not eligible to remain on title; must be paid off through closing Payoff of PACE/HERO will be treated as a rate and term
18.8 Title and Closing	<ul style="list-style-type: none"> Short form title policies are allowed Preliminary title report must include plate map and survey (as required)
18.9 Deed Restrictions	<ul style="list-style-type: none"> Deed restrictions that affect transferability of a property are not allowed. Age Restricted communities are allowed.

18.10 Taxes and Hazard Insurance	<ul style="list-style-type: none"> The appropriate amount of hazard insurance is determined as the lesser of: <ul style="list-style-type: none"> 100% of the insurable value of the improvements with replacement cost coverage, as established by the property insurer, or the unpaid principal balance of the first and second mortgage (sufficient coverage for the new combined loans), or The combined unpaid principal balance of the first and any secondary financing, as long as it equals the minimum amount required to compensate for any damage or loss on a replacement cost basis, typically 80% of the insured value of the improvements. If it does not, then coverage that does provide the minimum required amount must be obtained
18.11 Maximum Financed Properties	<ul style="list-style-type: none"> No limit to the number of financed properties The maximum number of loans that can be funded for the same borrower is limited to 10 or \$5,000,000
18.12 Closing in a Trust	<ul style="list-style-type: none"> Permitted. See Orion's Trust policy
18.13 Power of Attorney	<ul style="list-style-type: none"> 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 eligible on cash-out No POA may be used if closing in an LLC or Corp An LOE regarding why a POA is needed must be provided
18.14 Principal Curtailments	<ul style="list-style-type: none"> A principal curtailment at closing is allowed up to the lesser of 2% of the new loan amount or \$2,500 and must be clearly reflected on the Closing Disclosure Principal curtailments cannot be used to cure tolerance violations
18.14 IRS Installment Agreement	<ul style="list-style-type: none"> Approved IRS payment plans are allowed if current and do not carry a lien
18.15 Guaranty	<ul style="list-style-type: none"> Orion Lending requires all its entity borrowers to submit their loan application with a guarantor subject to the following requirements: <ul style="list-style-type: none"> The guarantor must be an individual person and not an entity A guarantor is required to be a significant owner (25% or greater) of the entity and is subject to the same FICO and background checks as individual borrowers <ul style="list-style-type: none"> Multiple borrowers may use combined ownership to meet the 25% requirement A separate guaranty form is not required if the borrower(s) is signing the note on behalf of both the LLC as the borrower and also as an individual guarantor. Additional signature line must indicate "as guarantor."

18.16 Entity Review Process	<ul style="list-style-type: none"> • Borrower Entity Requirements: <ul style="list-style-type: none"> ◦ Duly formed with full authority to conduct real estate transactions and borrower activity in the state of formation or proper foreign registration documents in state where business is being performed ◦ Entities with more than one member, provide evidence that the individual signing on behalf of the borrowing entity has necessary authority to conduct transactions ◦ Confirmation of good standing status must be validated to ensure borrowing counterparties are current on all state taxes and fee in state of formation and/or state business is being performed in ◦ Allowable Entity Types: LLC, Sole Proprietorship, LP, LLP, S and C Corp, LLP ◦ The borrowing entity must be a single purpose entity with a defined purpose to engage in real estate investment activities ◦ At least one qualifying individual with >25% interest must sign a personal guarantee • Entity documentation: <ul style="list-style-type: none"> ◦ Operating Agreement/Bylaws based on state requirements, that must include an authorization to encumber real properties and signing authority ◦ Certificate of Formation/Articles of Organization ◦ Certificate of Good Standing or equivalent document ◦ Certificate of Foreign Qualification or other qualification to operate in the state where business is being conducted (If entity is formed in a state other than where business is being performed) ◦ Org Chart may be required if multi-member entity ◦ EIN/W9 required 		
18.17 Lock Policy	<ul style="list-style-type: none"> • Refer to Orion Lending's website for complete lock policy • Loan amount variance > (10%) ten percent from the locked loan amount will result in worst case pricing 		
18.18 Compensating Factors	<table border="0"> <tr> <td> <ul style="list-style-type: none"> • FICO score above minimum by 20 points or higher • DTI below max by 5% or greater • PITIA reserves above minimum by 6 months or higher • Reduction in housing payment by 10% or greater • Residual income • Minimal payment shock </td><td> <ul style="list-style-type: none"> • Conservative use of non-housing debt • 0 X 30 X 24-month housing history • 5 years minimum in subject property • Job stability of 5 years or more • Stable ancillary income sources for borrower not being used for qualifying • LTV for Primary Residence may not be considered a compensating factor </td></tr> </table>	<ul style="list-style-type: none"> • FICO score above minimum by 20 points or higher • DTI below max by 5% or greater • PITIA reserves above minimum by 6 months or higher • Reduction in housing payment by 10% or greater • Residual income • Minimal payment shock 	<ul style="list-style-type: none"> • Conservative use of non-housing debt • 0 X 30 X 24-month housing history • 5 years minimum in subject property • Job stability of 5 years or more • Stable ancillary income sources for borrower not being used for qualifying • LTV for Primary Residence may not be considered a compensating factor
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