

# DSCR ACE

Program Code: DSCR 2 -30, -7/6, -30 IO, -7/6 IO

Investment Property										
FICO	Loan Amt	Max CLTV								
		DSCR ≥ 1			DSCR ≥ 0.75			DSCR < 0.75 (No Ratio)		
		Purchase	R/T	C/O	Purchase	R/T	C/O	Purchase	R/T	C/O
740+	≤ 1M	85%	85%	75%	75%	75%	70%	75%	75%	70%
	≤ 1.5M	80%	75%	75%	75%	70%	70%	70%	70%	60%
	≤ 2M	75%	70%	70%	70%	65%	65%	65%	65%	60%
	≤ 2.5M	70%	70%	65%	65%	NA				
720-739	≤ 1M	80%	80%	75%	75%	75%	70%	75%	70%	70%
	≤ 1.5M	80%	75%	75%	75%	70%	70%	70%	65%	60%
	≤ 2M	75%	70%	70%	70%	65%	65%	NA		
	≤ 2.5M	70%	70%	65%	65%	NA				
701-719	≤ 1M	80%	80%	75%	75%	75%	70%	75%	70%	70%
	≤ 1.5M	80%	75%	75%	75%	70%	70%	65%	65%	60%
	≤ 2M	75%	70%	70%	70%	65%	65%	NA		
	≤ 2.5M	70%	70%	65%	NA					
680-699	≤ 1M	75%	75%	70%	70%	70%	60%	65%	60%	60%
	≤ 1.5M	75%	70%	70%	70%	70%	NA			
	≤ 2M	70%	65%	65%	65%	60%				
	≤ 2.5M	70%	65%	65%	NA	NA				
660-679	≤ 1M	75%	75%	70%	65%	65%	60%	60%	60%	60%
	≤ 1.5M	75%	70%	70%	NA					
	≤ 2M	70%	65%	65%						
	≤ 2.5M	70%	65%	65%						
640-659	≤ 1M	75%	75%	60%	65%	65%	NA			
	≤ 1.5M	65%	65%	55%						
	≤ 2M	65%	65%	NA						
	≤ 2.5M	60%	60%							
620-639	≤ 1M	65%	65%	55%						
	≤ 1.5M	50%	50%	50%						

<ul style="list-style-type: none"><li>▪ Non-Warrantable Condo: Max LTV/CLTV Purchase &amp; R&amp;T- 80% and C/O 75%</li><li>▪ Interest Only:<ul style="list-style-type: none"><li>○ Min Credit Score: 680   Max LTV: Purchase/R&amp;T: 75%   Cash-Out: 70%</li></ul></li><li>* Interest Only transactions DSCR is calculated using ITIA.</li><li>▪ Declining Market: 5% LTV Reduction</li><li>▪ FL with LTV over 70% will requires a Full Condo Review</li><li>▪ Short Term Rental: Max LTV: Purchase &amp; Rate and Term 75%   Cash out Refinance: 70%</li></ul>					
General Requirements					
Product Type	Product	Term	Amort. Term	I/O Term	Qualifying Rate
	30-Yr Fixed	30 yr	30 yr	NA	Note Rate
	30-Yr Fixed IO	30 yr	20 yr	10 yr	
	7/6 ARM	30 yr	30 yr	NA	Start Rate
	7/6 ARM IO	30 yr	20 yr	10 yr	
Occupancy	<ul style="list-style-type: none"><li>▪ <b>Investment Property: Borrowers or Family Members not permitted to occupy subject</b></li></ul>				
Loan Amount	<ul style="list-style-type: none"><li>▪ Min: \$125,000</li><li>▪ Max: \$2,500,000</li></ul>				
Loan Purpose	<ul style="list-style-type: none"><li>▪ <b>Purchase</b><ul style="list-style-type: none"><li>○ LTV/CLTV based upon the lessor of the sales price or appraised value</li></ul></li><li>▪ <b>Rate/Term</b><ul style="list-style-type: none"><li>○ Borrower must be on title at time of loan application</li><li>○ Payoff of an existing first mortgage and any subordinate lien used to acquire the property.</li><li>○ Any subordinate lien Not used in the acquisition of the subject may be paid with loan transaction if the following apply:<ul style="list-style-type: none"><li>• Closed end loan</li><li>• Heloc, at least 12 mths of seasoning has occurred and total draws over the past 12 mths are less than \$10,000</li></ul></li><li>○ Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$10,000 can be included in the transaction.</li><li>○ LTV/CLTV is based upon the current appraised value, no seasoning required.</li></ul></li><li>▪ <b>Cash-Out</b><ul style="list-style-type: none"><li>○ No Seasoning Requirements, borrower must be on title prior to application</li><li>○ LTV/CLTV is based upon the current appraised value, No sesasoning required</li><li>○ A mortgage secured by a property currently owned free and clear is considered cash out.</li><li>○ The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out</li><li>○ Properties listed for sale must be taken off the market prior to the Promissory Note date</li><li>○ BUSINESS PURPOSE LOANS: PAYING OFF CONSUMER DEBT IS NOT ELIGIBLE</li><li>○ Delayed financing permitted (Must meet FNMA guides)</li></ul></li></ul>				

<b>Borrower Experience</b>	<ul style="list-style-type: none"> <li>Experienced Investor: Borrower must have at least twelve (12) months of experience managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note</li> <li>First Time Investors allowed when the below are met: <ul style="list-style-type: none"> <li>Min credit score: 680 , Housing payment 0X30X12</li> </ul> </li> <li>First Time Investors can be a First Time Homebuyer</li> </ul>
<b>Max Cash-Out Limit</b>	<ul style="list-style-type: none"> <li>LTV &gt; 65%: Max Cash-out \$600,000</li> <li>LTV ≤ 65%: \$ 1.0 Mil</li> </ul>
<b>Property Type</b>	<ul style="list-style-type: none"> <li>Single Family, Attached, Detached</li> <li>2-4 Units</li> <li>Condominiums (Warrantable and non-Warrantable) <ul style="list-style-type: none"> <li>Non-Warrantable Condo: Max LTV/CLTV Purchase &amp; R&amp;T- 80% and C/O 75%</li> <li>FL with LTV over 70% will requires a Full Condo Review</li> </ul> </li> </ul>
<b>Rural Property</b>	<ul style="list-style-type: none"> <li>Not permitted</li> </ul>
<b>State Restrictions</b>	<ul style="list-style-type: none"> <li>FL with LTV over 70% will requires a Full Condo Review</li> <li>Properties located in Baltimore City, MD are Not Eligible</li> <li>State or Local High Cost not permitted</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>Form 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required</li> <li>Loan Amounts ≥ \$2,000,000 require 2 appraisals.</li> <li>Transferred appraisal acceptable.</li> <li>Original appraisals are valid for 120 days from the note date. A recertification of value will be required after 120 days and is valid up to 180 days.</li> </ul>
<b>Appraisal Review</b>	<ul style="list-style-type: none"> <li>Desk Review Product to be ordered on all loans with an CU Score over 2.5, with the exception of those with a full second appraisal.</li> </ul>
<b>Properties Listed for Sale</b>	<ul style="list-style-type: none"> <li>Subject property must be taken off the market on or before the Promissory Note date.</li> <li>LOE required from the borrower to confirm in writing the reason for the listing as well as proof it was taken off the market. (if listing was cancelled prior to application nothing else will be required)</li> <li>For properties listed within the most recent three months, the LTV will be based on the lesser of the most recent list price or the current appraised value.</li> </ul>
<b>Escrow Impound</b>	<ul style="list-style-type: none"> <li>Mandatory Impound for <ul style="list-style-type: none"> <li>LTV &gt; 80%</li> <li>HPML (High Price Mortgage Loan)</li> <li>FLOOD INSURANCE</li> </ul> </li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>Investment Properties only</li> <li>Prepayment periods up to 5-years eligible, see rate sheet</li> <li>5% of the unpaid principal balance.</li> <li>Not permitted in Maryland(MD)</li> <li>NJ : Permitted only if closing in the name of an Entity: C-Corp or S-Corp Only.</li> </ul>
<b>Document Age</b>	<ul style="list-style-type: none"> <li>90 days prior to the note date <ul style="list-style-type: none"> <li>Credit Report</li> </ul> </li> <li>90 days prior to the note date <ul style="list-style-type: none"> <li>Credit Report</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Income</li> <li>○ Asset</li> <li>○ Title</li> <li>○ CPL</li> <li>○ Certificate of Good Standing</li> <li>▪ 120 days prior to the note date <ul style="list-style-type: none"> <li>○ Appraisal Report</li> <li>○ Flood Certificate</li> </ul> </li> </ul>
Income Requirements	
Long-term Rental	<ul style="list-style-type: none"> <li>▪ <b>Purchase:</b> <ul style="list-style-type: none"> <li>▪ Monthly gross rents are determined by using the Lower of the current lease or estimated market rent on Form 1007 or 1025.</li> <li>▪ If property is currently tenant occupied, sales agreement to confirm monthly rent and lease transferred to the borrower at closing required.</li> <li>▪ Vacant or unleased property is allowed without LTV restrictions</li> </ul> </li> <li>▪ <b>Refinances:</b> Form 1007/1025 with Lease Agreement <ul style="list-style-type: none"> <li>▪ If Using the current active lease which is higher than the market rent, provide 2 most recent consecutive months of rent received</li> <li>▪ Vacant or unleased property is allowed without LTV restrictions</li> <li>▪ If the lease has been converted to month-to-month, then provide the most recent 2 months proof of receipt to evidence continuance of lease.</li> </ul> </li> <li>▪ <b>DSCR Calculation:</b> DSCR is the monthly total qualifying income that is defined as rental cash flow + eligible assets (divided by 60 months) divided by the starting payment.</li> </ul>
Short-Term Rental (STR)	<ul style="list-style-type: none"> <li>▪ Refinance or Purchase transactions are eligible (<b>LTV restrictions for Short Term Rental</b>)</li> <li>▪ Monthly gross rents based upon a 12-month average to account for seasonality required from a 3<sup>rd</sup> Party Rental Management Service. (ie: AirBNB, VRBO, etc.)</li> <li>▪ Statement from 3<sup>rd</sup> Party must identify the subject property, rents collected for 12 mths, and all management fees.</li> <li>▪ <b>DSCR Calculation:</b> Gross rents reduced by 20% to reflect extraordinary costs (If actual expense exceeds 20%, the actual expense factor should be used.; Minimum 20%). (Gross Rents * .80) divided by Starting Payment</li> </ul>
General Underwriting Guidelines	
Credit Score	<ul style="list-style-type: none"> <li>▪ Middle of three scores provided for any borrower.</li> <li>▪ If only two credit scores, the higher of two will be used.</li> <li>▪ The highest MID-FICO score amongst all borrowers will be used to qualify on DSCR.</li> <li>▪ All additional borrowers/co-borrowers must meet the minimum fico requirement of 620</li> </ul>

<b>Tradelines</b>	<ul style="list-style-type: none"> <li>▪ If the primary credit qualifying borrower has three credit scores, the minimum tradeline requirement can be waived.</li> <li>▪ 1 open and reporting 24-months; (with activity in the most recent 90 days) or</li> <li>▪ 2 open and reporting 12-months (with activity in the most recent 90 days)</li> </ul>
<b>Housing History</b>	<ul style="list-style-type: none"> <li>▪ SUBJECT PROPERTY AND PRIMARY HOME TO BE VERIFIED.</li> <li>▪ Twelve (12) months housing history is required</li> <li>▪ 1x30x12: No reduction</li> <li>▪ 0x60x12: <ul style="list-style-type: none"> <li>○ Purchase Max LTV 70%</li> <li>○ Refinance Max LTV 65%.</li> </ul> </li> </ul>
<b>No Housing History (Living Rent Free)</b>	<ul style="list-style-type: none"> <li>▪ <b>Less than 12 months of verified housing history or living rent-free will be considered as no housing history and will be subject to the rent-free LLPA</b></li> <li>▪ Not considered living rent free or having no housing history in the following scenarios: <ul style="list-style-type: none"> <li>○ Borrower(s) live in a marital home. Borrowers living rent free with a spouse are acceptable with a rent-free letter from the spouse and evidence of the spouse's mortgage or current lease. If owned free and clear, a property profile is acceptable.</li> <li>○ Borrower(s) sold a primary home within the past 6 months and are purchasing a primary home.</li> <li>○ Borrower(s) who own their primary home free and clear with proof that property taxes are paid current.</li> </ul> </li> </ul>
<b>Credit Event Seasoning</b>	<ul style="list-style-type: none"> <li>▪ <b>BK/FC/SS/DIL/ Non-Covid Forbearance /Modification /Deferral/ 1x120x12 Mtg Late are All considered Credit events and must meet seasoning:</b> A minimum seasoning of 24 months is required. <ul style="list-style-type: none"> <li>○ <math>\geq 36</math> Mo – No reduction</li> <li>○ <math>\geq 24</math> Mo: <ul style="list-style-type: none"> <li>• Purchase Max LTV 75%</li> <li>• Refinance Max LTV 70%</li> </ul> </li> </ul> </li> </ul>
<b>Collections/Charge Offs</b>	<ul style="list-style-type: none"> <li>▪ Medical Collections may remain open</li> <li>▪ Collections and charge-offs with a cumulative balance of greater than \$2,000 must be paid</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>▪ Loan Amt <math>\leq 1.5</math> M: No reserves</li> <li>▪ Loan Amt <math>&gt; 1.5</math> M: 2-months PITIA</li> <li>▪ Loan Amt <math>&gt; 2.5</math> M: 6-months PITIA</li> <li>▪ Cash out may be used to satisfy requirement</li> <li>▪ No requirement for additional reserves for other financed properties, Subject Property reserves only</li> <li>▪ Must be own fund (<b>Gift Not Permitted for reserves</b>)</li> </ul>
<b>Assets Requirements</b>	<ul style="list-style-type: none"> <li>▪ Most recent 30 days bank statements. (<b>VOD Not Permitted</b>)</li> <li>▪ Large deposits are defined as any single deposit exceeding 50% of the borrower's average monthly income amount.</li> </ul>

	<ul style="list-style-type: none"> <li>Any unverified large deposit must be backed out of the qualifying assets, and a letter of explanation is required.</li> </ul>
<b>Asset Source</b>	<ul style="list-style-type: none"> <li><b>Eligible</b> <ul style="list-style-type: none"> <li>Checking/Savings/Stocks/Bonds</li> <li>IRA, Keogh, and 401(k) Retirement Accounts (80% of vested balance excluding outstanding loans secured against it if under eligible retirement age, 100% of vested balance excluding outstanding loans secured against its eligible retirement age) Must Include Terms of Withdrawal.</li> <li>Trust Accounts (100%): Must review a copy of the full Trust Agreement</li> <li>Life Insurance: Cash value must be verified by a letter from the insurance company otherwise the surrender value must be used</li> <li>Foreign funds for closing costs and down payment must be transferred to a traditional bank account in U.S. Dollars (USD) at least 10 days prior to closing or proof sent directly to the settlement agent or escrow account.</li> <li>The use of business assets for self-employed borrowers for down payment, reserves, and closing costs are allowed. The borrowers on the loan must have &gt;25% ownership of the business and must be the owners of the account.</li> <li>Virtual currency: BTC,ETH are eligible funds for down payment, closing costs, and reserves; however, for down payment and closing costs the crypto must be liquidated into a U.S. bank account, while for reserves the borrower may use 60% of the current valuation with proof of ownership and a Coinbase valuation within 30 days of the Note date, or 100% if the cryptocurrency is transferred into a U.S. financial institution before closing.</li> <li>1031 Exchange: Delayed 1031 Exchange funds for "like—kind exchange" are eligible for earnest money deposit (EMD), down payment, and closing costs. <b>Reverse 1031 exchange is not permitted. 1031 exchange funds are not eligible for reserves.</b></li> </ul> </li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>Gift funds cannot be counted towards reserves</li> <li>100% Gift Funds are allowed for down payment and closing cost</li> </ul>
<b>Acreage</b>	<ul style="list-style-type: none"> <li>Property up to 10-acres, not meeting the rural definition, eligible</li> </ul>
<b>Interested Party Contributions</b>	Max 6%
<b>Borrower Experience</b>	<ul style="list-style-type: none"> <li>Experienced Investor: Borrower must have at least twelve (12) months of experience managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note</li> <li>First Time Investors allowed when the below are met: <ul style="list-style-type: none"> <li>Min credit score: 680 , housing payment 0X30X12</li> </ul> </li> <li>First Time Investors can be a First Time Homebuyer</li> </ul>

<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>▪ U.S. Citizen</li> <li>▪ Permanent Resident</li> <li>▪ Non-Permanent Resident: <ul style="list-style-type: none"> <li>○ Borrowers with U.S. Credit and Acceptable Visa</li> <li>○ Transactions with individuals with diplomatic immunity who are not subject to United States jurisdictions are not eligible.</li> </ul> </li> </ul>
<b>Ineligible Borrower</b>	<ul style="list-style-type: none"> <li>▪ Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction</li> <li>▪ Borrowers not on title (refinances)</li> <li>▪ Borrowers from OFAC sanctioned countries</li> <li>▪ Residents of any country not permitted to transact business with U.S. companies are ineligible (as determined by any U.S. government authority)</li> <li>▪ Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.</li> <li>▪ Borrowers less than 18-years-old</li> <li>▪ Trusts or land trusts (revocable trusts may qualify for ownership vesting only)</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ Not permitted on Entities: LLC, Corporations, Entity Borrowers, Etc</li> <li>▪ Not permitted on Cash-Out transactions</li> </ul>
<b>Solar Lease</b>	<ul style="list-style-type: none"> <li>▪ Must conform to FNMA guidelines</li> </ul> <p>Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.</p>
<b>Minimum Property Standards</b>	<ul style="list-style-type: none"> <li>▪ Single Family: Minimum 600 sq ft</li> <li>▪ Condos: Minimum 400 sq ft</li> <li>▪ 1-4 Units: Minimum 400 sq ft per individual unit</li> </ul>
<b>Ineligible Property Type</b>	<ul style="list-style-type: none"> <li>▪ Agricultural properties including working farms, ranches, and orchards</li> <li>▪ Manufactured/Mobile Home</li> <li>▪ Appraised condition rating of C5 or C6</li> <li>▪ Assisted living facilities</li> <li>▪ Barndominiums</li> <li>▪ Boarding houses, homes that rent out by the room, or bed/breakfast properties</li> <li>▪ Co-op/timeshare</li> <li>▪ Condotel</li> <li>▪ Condo cooperative share loans</li> <li>▪ Dome or geodesic homes</li> <li>▪ Homes on Indian reservations, Indian Leased Land</li> <li>▪ Hawaii properties located in lava zones 1 and/or 2</li> <li>▪ Houseboats</li> <li>▪ Log homes</li> <li>▪ Mixed-Use &amp; Commercial properties</li> </ul>

	<ul style="list-style-type: none"><li>▪ Properties not readily accessible by roads that meet local standards</li><li>▪ Properties not suitable for year-round occupancy regardless of location</li><li>▪ Properties with zoning violations</li><li>▪ Properties used for the cultivation, distribution, manufacture, or sale of marijuana.</li><li>▪ Vacant land or land development properties</li></ul>
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