Change
WHOLESALE

ALT DOC EXPRESS

ALT-QM UNDERWRITING GUIDELINES

03/25/2024

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OVERVIEW

Alt-QM guidelines are structured to guide its users towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the consideration of alternative forms of documenting income and/or compensating factors which offset the risk indicated by a recent credit event or elevated debt-to-income ratio. The borrower's ability to repay must be proven in all instances.

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Alt-QM programs.

For any guideline not addressed in these guides, defer to Fannie Mae Guidelines.

Change Wholesale — Alt Doc Express

Effective Date: 03/25/2024

Bank Statements | 1099 Only | W2 Only | 1 Year Tax Return
Asset Depletion | P&L Only | WVOE Only

Purchase / Rate & Term Refinance / *Cash Out Refinance

	LTV / CLTV	FICO
Primary Residence & Second Home	85% / 85%	740
	80% / 80%	700
	75% / 75%	660
Investment Properties *Loan amount capped at $2,000,000 max	80% / 80%	700
	75% / 75%	660

Maximum Loan Amounts	
$150,000 - $2,000,000	85% LTV
$2,000,001 - $3,000,000	80% LTV

Products	
5/6m & 10/6m ARM	30 Yr Fixed
5/6m & 10/6m ARM IO	30 Yr Fixed IO

IO Period	Amortization Term	Maturity
10 Years	20 Years	30 Years

ARM Margins & Caps		
5/6 Month ARM	Margin: 4.50	Caps: 2/1/5
10/6 Month ARM	Margin: 4.50	Caps: 5/1/5

Program Requirements	
Minimum Loan Amount	$150,000
Maximum Loan Amount	$3,000,000
Interest Only Transactions	Max 75% LTV
Mortgage Insurance	Not Required

Credit Seasoning	
Mortgage History	0 x 30 x 12
BK Seasoning	36 months
Short Sale/DIL	36 months
Foreclosure	36 months

Additional Program Information

DTI Restrictions	
Primary Residence & Second Home	50% max DTI
Investment Property	43% max DTI
Cash Out Transactions	43% max DTI
Non-Warrantable Condos	43% max DTI
Non-Permanent Resident Alien	43% max DTI
Non-Occupant Co-Borrower	43% max DTI
First Time Homebuyer	45% max DTI

***Cash Out Restrictions**

- LTV > 60% = $750,000 max cash out
- LTV ≤ 60% = Unlimited max cash out
- ***Max LTV/CLTV for cash out:**
  - Primary Residence & Second Homes - 80% / 80%
  - Investment Properties - 75% / 75%
  - Interest Only - 70% / 70%
- Texas 50 (a)(6) loans are not permitted

Property Type Requirements

Property Type	Max LTV
Attached PUD/Condominium	85%
2-4 Units	80%
Rural Properties	75%
Florida Condominium	75%
Non-Warrantable Condominium	70%
Manufactured Homes / Log Homes	Not Allowed

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Alternative Income Documentation Types*	
Asset Depletion	Qualification is determined solely based on the Applicant's liquid assets and assets they can liquidate without restriction. Assets must be seasoned a minimum of 90 days. Assets being considered must be verified with the most recent three (3) monthly account statements, quarterly statement(s), or VOD. All individuals listed on the asset account(s) must be on the Note and Mortgage. **Calculation Method:** Qualifying income is based upon the total assets eligible for depletion, less down payment, less out of pocket closing costs, divided by 60.
12 Months Bank Statements	Income calculated based on 12 months recent Business or Personal bank statements. Refer to program guidelines for calculation methods available. Bank statements should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required up to and including an additional 12 months of statements.
1099 Only	Validated most recent 1 year 1099. Borrower must receive compensation either in the form of commissions or as an independent contractor. An expense ratio must be developed using one of the two below methods. Method 1: Utilize 10% baseline expense factor. Multiply the expense ratio by the gross receipts shown on the 1099. Method 2: Provide a CPA letter stating the business' expense ratio based on the most recent year's tax return. Multiply the expense ratio by the gross receipts shown on the 1099.
W2 Only	Validated most recent year W2 and current VOE used as qualifying income. Refer to guidelines for specific guidance and requirements.
1 Yr. Tax Return	Filed most recent year tax returns to be utilized for income qualifying. Refer to guidelines for specific guidance and requirements.
P&L Only	12-24 Month CPA, EA,PTIN or CTEC compiled P&L Statement - minimum 50% business ownership required. Qualifying income is the net income from the P&L divided by the time period covered multiped by the borrower's ownership percentage.
WVOE Only	2 year employment history required, with YTD written VOE. EWVOE does not require bank statements to support. Wage Earner/Commission borrowers only.
Supplemental Income	Most Alternative Income Options notated above include additional supplemental income options such as Asset Assist, rental income, retirement/pension, social security and/or additional coborrower income. Please refer to the guidelines for additional information.
Additional Program Requirements	
Appraisal	Loan amounts over $2,000,000 automatically require two appraisals. Every appraisal requires a Desk Review. Properties with a condition rating of C5 or C6 or a quality rating of Q6 are not acceptable.
Assets	Sourced and seasoned for 30 days
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit - max 80% LTV)
Compliance	• Escrows required for all HPML loans, refer to guidelines for additional escrow requirements • No section 32 or state high cost • **"Total borrower paid points and fees up to 5%"** • Compliance with all applicable federal and state regulations
Credit	Standard three (3) tradelines reporting for a minimum of 12 months with activity within the last 12 months, or at least two (2) tradelines reporting for a minimum of 24 months with activity within the last 12 months. If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. Qualifying FICO = the FICO of the Primary Wage Earner which will be the score used for pricing
Gift Funds	Not permitted on Investment Property transactions. Cannot be used for reserves or when utilizing Asset Depletion for income. Refer to guides for all other requirements
Max Financed Properties	Maximum 20 financed properties including subject property.
Mortgage History	0 x 30 x 12. Recent Forbearance: 12 months seasoning required after borrower exits forbearance plan.
Occupancy	Primary Residence, Second Homes and Investment Properties
Prepayment Penalty	Investment Only: 3% of the amount prepaid that exceeds 20% of the original principal balance, unless otherwise limited by applicable law. Not allowed in AK, KS, MN, NM, or PA (loan amounts < $301,022).
Property Types	SFR, PUD, Townhome, Condominium, 2-4 Unit, Non-Warrantable Condominiums, Modular & Rural. Log Homes and Manufactured Homes are not eligible.
Qualifying Payment	ALL: Use Qualifying Rate (refer to box) for calculating PITIA Interest Only: qualify using the fully amortized payment based on the term remaining after the expiration of the interest-only period
Qualifying Rate	Fixed = Note Rate; ARM: 5/6m & 10/6m = Greater of Note Rate or Fully Indexed Rate
Reserves	Loan amount up to $2M and less than 85% LTV: 3 months PITIA. Loan amount greater than $2M: 6 months PITIA. Other REO owned: 2 months of each property's PITIA. 85% LTV transactions require a minimum of 6 months PITIA. All Investment property transactions require a minimum 12 months PITIA reserves. Cash out can be used towards the reserves requirement.
Seller Concessions	Up to 6% for Primary Residences & Second Homes. Up to 3% for Investment Properties.
Subordinate Financing	Max 85% CLTV - refer to grid above under LTV/CLTV section. Secondary financing must be institutional. Seller carrybacks are not permitted.

ALT DOC EXPRESS

PROGRAM ELIGIBILITY

- **Alt Doc Express** – Program allowing for multiple alternative income documentation options to agency guides for qualifying.

The following loan products are eligible:

Fully Amortizing

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed

Interest-Only

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed

Interest Only Period: Available for 10 years on all ARM & 30 Year Fixed rate products.

Amortization Period: 30 Year

Refer to program matrices for additional requirements.

Qualifying Rate (All Doc Types):

Fixed: Qualify borrower(s) at the Note Rate.

ARMs: 5/6 Month & 10/6 Month ARM - Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate.

Qualifying Payment

Qualifying Ratios are based on the fully amortized payment (using the qualifying rate noted above), over the fully amortized term of the loan. For Interest Only transactions – the qualifying ratios are based on the fully amortized payment after the end of the interest-only period using the qualifying rate as noted above.

LOAN AMOUNTS

Minimum Loan Amount

- $150,000

Maximum Loan Amount

- $3,000,000

MINIMUM FICO

- 660

MAXIMUM LTV/CLTV

- 85% / 85%

MORTGAGE INSURANCE

Not required

INTERESTED PARTY CONTRIBUTIONS (SELLER CONTRIBUTIONS)

Up to 6% towards closing for Primary and Second Homes

Up to 3% towards closing for Investment Properties

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, Loan Estimate and Closing Disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

ESCROWS – IMPOUND ACCOUNTS

Escrows for taxes and insurance are required on all loans with LTVs greater than 80%, unless otherwise specified by applicable state law.

Escrows for taxes and insurance are required for all HPML loans.

SECONDARY FINANCING

Refer to the program specific matrix for max LTV/CLTVs permitted. Secondary financing must be institutional. Seller-held subordinate liens are not permitted.

New subordinate financing is permitted on primary residence purchase transactions only.

Existing secondary financing must be subordinated and recorded or refinanced, paid off or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation that the line of credit is past its draw period.

Payments on secondary financing must be calculated using the same Qualifying Rate and Qualifying Payment methodologies using the terms specific to the secondary financing.

HELOC: The payment for a simultaneous HELOC must be determined using the periodic payment required under the terms of the plan by considering the actual amount of credit to be drawn by the consumer at consummation of the covered transaction.

AGE OF DOCUMENTS

Per FNMA standard guidelines.

FEES

Standard fee of $1,795 for Wholesale

Retail follows Standard State Fees.

BORROWER STATEMENT OF OCCUPANCY

Primary and Second Homes
Borrower must acknowledge the intended purpose of the subject property ("Primary Residence" or "Second Home") by completing and signing the appropriate sections of the "Occupancy Certification" found in EXHIBIT A of this guide.

Investment Properties
Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Occupancy Certification" and "Certification of Business Purpose" in EXHIBIT "A" and EXHIBIT "J" of this guide.

BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, the Loan Officer is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Exhibit F) in the Exhibit section of the Guide.

ABILITY TO REPAY/QUALIFIED MORTGAGE RULE

Change Wholesale mandates that all Alt-QM guidelines meet the CFPB's requirements under its Ability-to-Repay (ATR) / Qualified Mortgage Rule, including loans that meet the general ATR requirements and certain higher-priced qualified mortgage loans with rebuttable presumption liability protection, as prescribed by the applicable regulation.

Each loan which discloses a qualifying income figure on the URLA must include a completed ATR Borrower Confirmation form, available in the forms section of the system. See EXHIBIT B: Ability-To-Repay Borrower Confirmation for an example in the Exhibits section of this guide. *Note: Business Purpose/Investment property transactions are exempt from completing this form.

STATE AND FEDERAL HIGH-COST LOANS

High-cost loans are not permitted.

PREPAYMENT PENALTY

For Investment Property transactions when permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed if prepayment occurs between the first twelve (12) to thirty-six (36) payments due on the loan.

The prepayment charge will equal three percent (3%) of the amount prepaid that exceeds 20% of the original principal balance, unless otherwise limited by applicable law. The charge applies to loans that payoff due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period.

- Investment Properties only utilizing the Investor program
- Three percent (3%) of the amount prepaid, unless otherwise limited by applicable law (Standard Term = 3 yrs.)
- The following states are subject to local jurisdiction prepayment penalty rules and regulations:
    - District of Columbia, Illinois, Michigan, Mississippi, North Carolina, Oklahoma, Rhode Island, and Utah
- Not allowed in Alaska, Kansas, Minnesota, New Mexico, or Pennsylvania (loan amounts < $301,022).

UNDERWRITING

All files are manually underwritten.

INTEREST CREDITS

Loans closed within the first 5 days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

Loans are not assumable.

PROPERTY INSURANCE

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement.

The insurance coverage should reflect one of the following:
- 100% of the insurable value of the improvements, as established by the property insurer; or
- 100% of the Total Estimate of Cost-New per the appraiser; or
- The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

For insurance not addressed in this section, default to Fannie Mae requirements.

Rent Loss Insurance

For Investment Properties - rent loss insurance covering a minimum of 6 months of the rental figure used to qualify is required for the subject property.

TRANSACTION TYPES

ELIGIBLE TRANSACTIONS

Purchase

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV based upon the lessor of the sales price or appraised value.

Rate/Term Refinance

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
    - Closed end loan, at least 12 months of seasoning has occurred;

- HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than $2,000. HELOC must be closed.
- Buying out a co-owner pursuant to an agreement.
- Properties listed for sale must be taken off the market prior to disbursement of the refinance loan.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- LTV/CLTV based upon the current appraised value.

Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term refinance
- A mortgage secured by a property currently owned free and clear is considered cash out.
- The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out.
- For investment properties only: The borrower must indicate the purpose of the cash out proceeds. Cash out proceeds must be solely for business purposes.
- Properties listed for sale must be taken off the market prior to disbursement of the refinance loan.
- Loans not eligible for cash-out:
    - A prior cash out transaction within the last 12 months unless a documented benefit exists.
    - Texas Home Equity 50 (a)6
    - Interest Only Transactions
- See Change Wholesale Matrices for cash-out limits.

Seasoning Requirements:

- Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.
- If owned for less than 12 months, use lesser of purchase price plus documented improvements or appraised value. If more than 12 months use appraised value.
- Cash-Out Seasoning of less than (6) months is not permitted unless the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation).
    - If the property was owned by an LLC that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement.
    - If the property was owned by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.

Delayed Financing

- Delayed Financing within 6 months of original purchase is allowed with the following restrictions:
    - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the lower of the initial purchase price or current appraised value.
    - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
    - At least one of the following must exist:

- No mortgage financing was used to obtain the property.
    - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale).
    - The preliminary title search or report must confirm that there are no existing liens on the subject property, or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
- The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
- Subject loan proceeds can be applied towards reserve requirement.
- All other rate & term refinance eligibility requirements are met. Rate & Term pricing applies.

NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

<u>Non-Arm's Length</u>

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with the subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership, or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage).

<u>Interested Party Transaction</u>

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.
In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example, the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser, and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required.

Non-Arm's Length and Interested Party Transactions Eligibility

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
    - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction is allowed
- Purchase between landlord and tenant
    - Must provide a recent 12-month VOR showing rent paid as agreed along with a copy of the seller's payoff demand showing not a foreclosure bailout
- Purchase between family members
    - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the Closing Disclosure
    - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout
- Borrower to provide cancelled check verifying the earnest money deposit
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed

BORROWER ELIGIBILITY

NON-OCCUPANT CO-BORROWERS

Non-Occupant Co-Borrowers are credit applicants that do not occupy the subject property. The following requirements must be met:

- Must be an immediate relative
- Must sign the mortgage/deed of trust and must not have an interest in the property sales transaction
- Max 80% LTV/CLTV or limited as posted on the current program matrix, whichever is lower
- 1-unit primary residence purchase or rate & term refinance only
- Max DTI of 43%
- Additional six (6) months reserves required
- Occupying borrower must have documented income equal to 75% of the subject PITIA

FIRST TIME HOME BUYERS

- Definition: An individual is considered to be a first-time home buyer if they have had no ownership interest in a residential property in the most current 3-year period. If the subject transaction has multiple borrowers and at least one of the borrowers has a history of owning a residential property within the last 3 years then the FTHB restrictions do not apply.
- Interest Only not permitted

- Qualifying DTI cannot exceed 45%
- Gift funds are not permitted

RESIDENCY

Eligible	• U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien
Ineligible	• Applicants possessing diplomatic immunity • Foreign National • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • 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.

US CITIZEN

Eligible without guideline restrictions.

PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency includes the following:
  - Alien Registration Receipt Card I-151 (referred to as a green card).
  - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
  - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
  - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Eligible without guideline restrictions.

NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA
    - Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 Form (Notice of Action)

with valid extension dates and an I-94 Form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status within the U.S. are not eligible for financing.
    - A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
    - If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.
    - Borrowers who are residents of countries which participate in the Department of Homeland Security's Cisa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website: https://www.dhs.gov/visa-waiver-program-requirements
  - Deferred Action for Childhood Arrivals (DACA)
    - Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number along with a 2-year U.S. credit and employment history. Eligible forms of documentation include the following:
      - Consideration of Deferred Action for Childhood Arrivals – Form I-821D
      - Application for Employment Authorization – Form I-765
      - Worksheet – Form I-765WS

- Loan terms must meet the following criteria:
  - Maximum 80% LTV/CLTV
  - Maximum 43% DTI (Expanded DTI option not available)
  - Primary Residence purchase and rate & term refinance transactions only
  - Two full uninterrupted years of employment in the United States is required for all borrowers whose income is being considered to qualify.

INTER VIVOS REVOCABLE TRUST

An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be met. Not all requirements may be addressed, Fannie Mae requirements should be followed if these guides are silent.

The Trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The Trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage. The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
    - The trust is revocable,
    - The borrower is the settler of the trust and the beneficiary of the trust,
    - The trust assets may be used as collateral for a loan,
    - The trustee is:
        - Duly qualified under applicable law to serve as trustee,
        - The borrower,
        - The settler,
        - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided. The Attorney also needs to verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Life Estate Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Asylum applicants
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings
- Self-employed borrower deriving their income from any cannabis related business

CREDIT

CREDIT REPORTS

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower’s credit eligibility.

The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

CREDIT INQUIRIES

Any credit inquiries listed on the report within 90 days of the report date must be explained by the borrower. If new credit was extended borrowers must provide documentation on the current balance and payment. If no credit was extended the borrower must clarify the purpose of the inquiry. Borrowers are obligated to inform the Loan Officer of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

HOUSING HISTORY

Mortgage/rental history is required for all programs. If a borrower’s mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history must be provided.

Mortgage Payment History – Forbearance/Payment Deferment Clarification

For recent forbearance: 12 months seasoning required after borrower exits forbearance plan.

Mortgage Payment History Documentation

If adequate mortgage payment history is not included in the borrower’s credit report the following must be provided to verify the borrower’s payment history:

- A standard mortgage verification; or
- Loan payment history from the servicer; or
- The borrower’s canceled checks for the last 12 months; or
- The borrower’s year-end mortgage account statement provided the statement includes a payment receipt history, and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.

Rental Payment History Documentation

The borrower’s rental payment history must be documented for the most recent 12-month period. The following documentation is acceptable:

- Canceled checks can be provided. In lieu of canceled checks the borrower pay provide bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and the amount being paid and reflect that the payments were made on a consistent basis.
- Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

Housing late payments exceeding 1 x 60 x 24 require a letter of explanation from the borrower. The situation causing delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Borrowers who currently live rent free are permitted with supporting documentation, such as a fully executed Rent-Free Letter of Explanation from the current legal owner of the property the borrower is residing in.

CONSUMER CREDIT

Consumer Credit History
All mortgage accounts must be current at application and remain paid as agreed through closing.

Installment Debt
Installment debt with less than 10 months' payments remaining may be excluded from the DTI, as long as the Borrower has the assets to make the remaining payments. Borrowers may pay down the debt such that the remaining balance is less than the sum of 10 months' payments. The assets used must be sourced. Loans secured by financial assets (i.e., 401k, margin loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.

Timeshares
Timeshare obligations will be treated as a consumer installment loan.

Alimony/Child Support
Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payer. Otherwise, include as a liability. Child support must be included as a liability. Alimony or child support with less than 10 months' payments remaining based on the Note date may be excluded from the DTI, as long as the borrower has the assets to make the remaining payments.

Consumer Credit Charge-Offs and Collections

- Individual collection and non-mortgage charge-off accounts totaling greater than $5,000 must be paid in full prior to or at closing.
- Medical collections may remain open regardless of amount.
- 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge off date
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions) based on a documented payment plan or a 5% estimated payment based on the current account balance.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

Tax liens that do not impact title may remain open provided the following are met:

- The file must contain a copy of the repayment agreement
- A minimum of 6 payments has been made under the plan with all payments made on time

BANKRUPTCY HISTORY

All bankruptcies must be settled at the time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date. Please refer to the program matrices for requirements.

Bankruptcy seasoning required for the Alt Doc Express program is 36 months (all bankruptcy types).

FORECLOSURE SEASONING

Foreclosures require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Foreclosure seasoning required for the Alt Doc Express program is 36 months.

SHORT SALE/DEED IN LIEU SEASONING

Short Sales or Deed-in-Lieu of Foreclosures require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.

In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; or b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

Short Sale / Deed in Lieu seasoning required for the Alt Doc Express program is 36 months.

LOAN MODIFICATION

Loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

Loan Modification seasoning required for the Alt Doc Express program is 36 months.

CREDIT SCORE

Credit Score Selection:

- **Decision Score Definition-** Minimum of one borrower with two credit scores. Use the lower of the two credit scores or the median if there are three credit scores.

- **Alt Doc Program:** Use decision score for the primary wage earner. Primary wage earner defined as $1 more in income monthly.

TRADELINE REQUIREMENTS

Standard Tradelines

If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three (3) credit scores, each borrower must meet the minimum tradeline requirements, unless the coborrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradeline requirements as outlined below.

- At least three (3) tradelines reporting for a minimum of twelve (12) months with activity within the last twelve (12) months, or
- At least two (2) tradelines reporting for a minimum of twenty-four (24) months with activity within the last twelve (12) months.

The following are not acceptable to be counted as a tradeline:

- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Disputed accounts
- Non-Traditional accounts
- Charge-offs, collection accounts,
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

Housing and Mortgage Related Obligations

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as a taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

Current Debt Obligations, Alimony, and Child Support

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to determine that the information in the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

DEPARTING RESIDENCE

- Departing residence positive rental income cannot be used to qualify. Departing residence PITIA/ITIA can be offset by 75% of projected net rental income (1007) or if the subject is recently rented, a copy of two of the following will be acceptable: first month's rent, last month's rent, security deposit. Departing residence rental that produces a loss must be included in the DTI.
- Departing Residence Obligation Can Be Excluded (If No Contract in Place):
    - Currently listed or signed letter of intent from borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction.
    - Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of twenty (20%) percent equity after deduction of outstanding liens to exclude the payment from the DTI. If less than twenty (20%) percent equity, the full payment must be included in the DTI.
    - Required reserves for the departure residence are based on the marketing time as indicated by the departure residence appraisal:
        - If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA
        - If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA
- Departing Residence Obligation Can Be Excluded (If Under Contract):
    - A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. The departure transaction must be closing within thirty (30) days of the subject transaction. The pending sale must be arm's length.
    - No appraisal required for departure residence. The borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence.

ASSETS

DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in Change Wholesale guidelines. Fannie Mae guidelines prevail where this guide is silent regarding sources and types of assets as well as asset types not eligible to be included.

RESERVES

Refer to applicable program matrix for current reserve requirements.

- Additional Reserves – borrower(s) will be required to document an additional two (2) months of reserves for each financed property. The two (2) months additional reserves are based on the PITIA/ITIA of the respective financed properties subject to a maximum of twelve (12) months reserves for all financed properties (excluding subject property).
- Reserves must be sourced and documented per guidelines.
- Reserves are calculated off documented P&I payment plus taxes, insurance, and HOA fees, if applicable (PITIA).
- Reserves for an Interest Only transaction will be based on the initial Interest Only payment (ITIA).
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.
- Cash out can be used as reserves.

DOWN PAYMENT SOURCING

Down payment funds should be documented for at least 30 days. Borrowers must state the source of the down payment and provide verification. If it is determined the source of the down payment is another extension of credit, the borrower must qualify for secondary financing per Fannie Mae's guides.

GIFT FUNDS

Gift Funds are acceptable if the following applies:

- Purchase transactions only – borrower cannot be a First Time Homebuyer (FTHB)
- Borrower(s) meet(s) reserve requirement with their own documented funds.
- Fannie Mae guidelines are used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.

Down Payment Requirements:

- Gift funds are acceptable as 100% down payment for loans < 75% LTV/CLTV
- Gift funds are acceptable for loans ≥ 75% LTV/CLTV however the underlying borrower(s) must contribute at least 5% of the down payment from their own funds.

Gift funds are not permitted for:

- Second Home and Investor properties >80% LTV/CLTV
- Borrowers utilizing the Asset Depletion income option
- Meeting the transaction's reserve requirements

Gifts of Equity are permitted on Primary Residence transactions only and follow the down payment requirements notated above.

INELIGIBLE ASSETS

- Down payment assistance programs
- Grant Funds
- Builder Profits
- Employer Assistance Assets
- Cash advance on credit card
- Cash for which the source cannot be verified (cash on hand)
- Commission from sale of subject property
- Proceeds from an unsecured loan
- Salary advance
- Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
- Unverifiable source of funds
- Margined Assets listed within client accounts are not eligible as a source of funds or reserves.
- Stock options and non-vested restricted stock
- Non-vested stock
- Reverse mortgage
- Pension fund
- Seller Real Estate Tax Credit
- Foreign Assets
- IRS 1031 Tax Exchange not allowed on primary residences or second homes

ASSET DOCUMENTATION

In addition to documenting the down payment, closing costs, and minimum PITIA reserve requirements, all borrowers must disclose and verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

- Account Statements should cover the most recent 30-day period, all pages are required.
- VOD should be dated within 30 days of closing date;
- Stocks/Bond/Mutual Funds -100% of stock accounts can be considered in the calculation of a assets for closing and reserves;
- Vested Retirement Account funds – 100% may be considered for closing and/or reserves;
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Life insurance policy cash value or loan against the cash value may be used for down payment, closing costs and/or reserves.

- Bitcoin or other forms of cryptocurrency are permitted for both funds to close, and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements are not applicable given liquidation.
- If needed to close, verification that funds have been liquidated (if applicable) is required.
- When bank statements are used, large deposits must be evaluated. Large deposits are defined as a single deposit that exceeds 10% of the loan amount for the subject transaction. Requirements vary based on transaction type:
  - Refinance: Documentation or explanation is not required; however, it must be clear that any borrowed funds, including any related liability, are considered.
  - Purchase: Documentation is required to verify the large deposit came from an acceptable source. Any unverified large deposit must be backed out of the qualifying assets and a letter of explanation is required.
- Bank accounts jointly owned with a non-borrowing spouse are allowable if documented with a relationship letter. If the loan is a bank statement loan or a 12-month P&L loan, the non-borrowing joint account holder must execute an affidavit to ensure no deposits by the non-borrower is included as income.
- 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 asset is not a party to the subject sale transaction or the mortgage financing transaction. Documentation supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds is required.
- Assets held in foreign accounts are acceptable and must be sixty (60) days seasoned with the two (2) most recent bank statements. A currency calculation must be provided. Assets from countries under OFAC sanctions are not permitted.

BUSINESS FUNDS

Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as an owner of the account and the account needs to be verified per requirements in this Guide.

Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example, if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify.

INCOME

INCOME ANALYSIS

Stability of Income

The borrower must demonstrate that both the source and the amount of the income are stable;

- A two-year employment history is required for the income to be considered stable and used for qualifying;
- When the Borrower has less than a two-year history of receiving income, an analysis must be performed to justify the stability of the income used to qualify the Borrower;
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

Earnings Trends

- Stable or increasing: Income amount should be averaged;
- Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used;
- Declining: If trend is declining, the income requires further analysis. Declining income is considered a 20% or more decrease year over year.

DEBT TO INCOME RATIO

Max 43% to 50% subject to additional requirements – refer to matrix for specifics.

The Debt-to-Income ("DTI") ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

ALTERNATIVE INCOME DOCUMENTATION

The Alt Doc program allows for several income documentation options as outlined below.

Alt Doc Income Documentation Options:

- Asset Depletion
- 12 Months Bank Statements (Personal or Business)
- 1099 only
- W2 only
- 1 Year Tax Return
- P&L Only
- Written VOE Only

ASSET DEPLETION

Asset Depletion Requirements

- The minimum eligible assets required is the lower of $1,000,000 or 100% of the subject loan amount.
- Refer to program matrix for max LTV & DTI.

- Reserves are not required.

Asset Depletion Income Documentation

- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Assets being considered must be verified with the most recent three (3) monthly account statements, quarterly statement(s), or VOD;
- Assets must be seasoned for a minimum of 90 days.

Assets Eligible for Depletion

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin on the wealth:

- Asset must be from a U.S. Institution
- 100% of Marketable securities (i.e., CD's, money market accounts);
- 100% of Checking and Savings;
- 100% cash surrender value of life insurance/annuity
- 100% of Stocks, Bonds, and Mutual Funds;
- 70% of all vested Retirement Assets
- 100% of Business Checking and Savings: Eligible if the borrower is 100% owner of the business
- Bitcoin or other forms of cryptocurrency can be utilized as "qualifying assets" to the extent the cryptocurrency was converted or liquidated to cash and the cash holding meets the seasoning requirements of one hundred twenty (120) days. Cryptocurrency that has not been liquidated to cash cannot be utilized as a qualifying asset.
- Eligible Trust Assets include:
  - Assets held in a revocable trust where the trustee to the trust is the borrower;
  - Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust
  - Based upon the type of asset held in the trust, the above asset percentages apply.
- Net proceeds from the recent sale of real estate property can be included in the qualifying assets as long as the sale and asset paper trail is thoroughly documented (i.e., copy of Final Settlement Statement validating final net proceeds and bank transaction history confirming net proceeds deposited). The Final Settlement Statement must confirm all parties listed as the Seller(s) match the same borrower(s) on the URLA for our subject transaction in order to be eligible.

Assets Ineligible for Depletion

- Real Estate Refinance Proceeds;
- Privately traded or restricted/non-vested stocks;
- Gift funds;
- Any asset that produces income already included in the income calculation;
- Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
- Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower.
- Foreign assets.

DTI Calculation Method

Qualifying income is based upon the total assets eligible for depletion, less down payment, less out of pocket closing costs, divided by 60.

DTI Calculation Example #1: (Borrower of retirement age)

Asset Type	Account Balance	Percentage Used	Qualifying Amount
Checking/Savings	$100,000	100%	$100,000
Stocks/Bonds	$500,000	100%	$500,000
Retirement	$875,000	70%	$612,500
		Initial Qualifying Assets	**$1,212,500**
		Total Required Down Payment	**$100,000**
		Total Out of Pocket Closing Costs	**$10,000**
		Total Qualifying Assets	**$1,102,500**

$1,102,500 qualifying assets / 60 months = **$18,375 monthly qualifying income**

12 MONTH BANK STATEMENTS (PERSONAL OR BUSINESS)

Account Statements should cover the most recent 30-day period (a maximum 15-day grace period is allowed at the beginning of each month to ensure the prior month's statement availability). Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statement(s) may not be required. In any instance where not all pages are provided it is still required to source and document any unusually large deposits. Foreign assets and businesses are not eligible for the personal or business bank statements income option.

Personal Bank Statements

Provide the most recent 12 months personal bank statements. Evaluate the deposits to verify that they are part of the borrower's income stream. Any that are abnormal to the borrower's typical deposits must be sourced/verified to be considered as part of the income calculation. Total all eligible deposits and divide by the number of statements provided to determine the monthly income. For personal bank statements you are eligible to use 100% of the eligible deposits – there is no expense factor considered. Multiple accounts allowed. Every account owner on the bank statement must also be an applicant on the URLA to use that account to qualify.

- **Acceptable sources for deposits are deposits from ordinary employment and/or business income and operations. The following items are to be EXCLUDED as eligible deposits:**
    - Transfers from other bank or asset accounts
    - Extraordinary asset sales
    - Any borrowed funds or grants (i.e., SBA loans, SBA PPP grants or any other similar COVID-19 related loans or grants)
    - Tax refunds
    - Gift funds

  (Note: the above list is not exhaustive and is subject to Underwriter review and discretion)
- Employment verification:
    - If not self-employed - a 3rd party verification of employment is required within ten (10) days of the Note date supporting the employment information listed on the URLA.
    - If self-employed – provide proof of current business existence and operations prior to closing. Verify the existence of the business within 30 days of the Note date and ensure the business is active with one of the following: a letter from either the business tax professional certifying at least 12 months

of self-employment in the same business, or regulatory agency or licensing bureau; along with either a phone listing and/or business address using directory assistance or internet search.

Business Bank Statements

Self-employed borrowers only – proof of at least 25% business ownership is required. Provide the most recent 12 months of business bank statements. Multiple accounts may be used; however, the same calculation method must be applied across all accounts provided. Transfers between accounts are not considered income. Total all eligible deposits and divide by the number of statements provided to determine the monthly income and then multiply by the applicable expense factor based on the options below. *Note – all eligible deposits are also calculated based on the borrower's percentage of ownership when the borrower is not 100% owner of the business.

- **Option 1 – Baseline factor**
    - Utilize baseline expense factor of 25% - borrower must be 100% owner of the business.
    - Utilize baseline expense factor of 50% - borrower must own at least 25% of the business.
- **Option 2 – CPA Letter for Expense Ratio**
    - Provide a CPA/Licensed Tax Preparer stating the business' expense ratio based on the most recent year's tax return.
    - 3rd Party prepared expense ratio is floored at 20%.

- Unusually large deposits not consistent with average deposits or the business profile must be excluded from the analysis unless sourced.
- Current business existence and operations must be re-verified prior to closing. Verify the existence of the business within thirty (30) days of the Note date and ensure the business is active with one of the following: a letter from either the business tax professional certifying at least 12 months of self-employment in the same business, or regulatory agency or licensing bureau; along with either a phone listing and/or business address using directory assistance or internet search.

All Methods

- **Comingled accounts are permitted –** if utilizing comingled bank accounts to qualify (both personal bank statements and business bank statements) all pages to each month's statements are required to ensure the qualifying income is accurate and not duplicated.
- Income trend: Bank statements should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required such as all pages of the bank statement or up to an additional 12 months of statements.

1099 ONLY

Borrower(s) must receive compensation either in the form of commissions or as an independent contractor. 1099 provided must cover a complete calendar year.

Provide the most recent year 1099(s). An expense ratio must be developed using one of the two methods below.

- Expense Ratio Options:
    - **Option 1 – No Expenses**

        - Employer confirmation required that the borrower does not have any job-related expenses.
    - **Option 2: Baseline Factor**
        - If a borrower or employer is not able to confirm no job-related expenses, a 10% expense factor will be applied.

- The following documents are required for the file:
    - Most recent year 1099(s) issued in the borrower's name and social security number.
    - Documentation of year-to-date income (i.e., current YTD pay stub or 3 months recent bank statements evidencing income deposits).
    - A complete, signed, and dated IRS 4506C is required for each borrower. The form(s) should be executed and 1099 transcripts validating income included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address. If the most recent year's transcript is not available then the loan must be escalated for further review. Additional or alternative documentation will be required including, but not limited to, three (3) months current bank statements to show evidence of continuous income receipt, prior year end pay stub (if available) and/or prior year IRS transcript.
- A Verbal VOE from each employer is required within 10 days of the Note date.

W2 ONLY

Most recent W2 and current Verbal VOE to support.

- W2 wage earners or commission borrowers only. W2 from self-employment not permitted.
- The borrower must be in the same job during the qualification period.
- A complete, signed, and dated IRS 4506C is required for each borrower. The form(s) should be executed and W2 transcripts validating income included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address. If the most recent year's transcript is not available then the loan must be escalated for further review. Additional or alternative documentation will be required including, but not limited to, three (3) months current bank statements to show evidence of continuous income receipt, prior year end pay stub (if available) and/or prior year IRS transcript.
- A Verbal VOE from each employer is required within 10 days of the Note date.

1 YEAR TAX RETURN

Most recent year filed tax returns, all pages, to be utilized for income qualification, personal and business if applicable, signed and dated by the borrower(s).

- Self-employed borrowers only. The qualifying income is derived from self-employment. Income related to interest, dividends, capital gains, etc. is not permitted to qualify. If borrower also owns rental properties, the rental income used to qualify must be analyzed via the Schedule E, if available. If the Schedule E is not available please refer to the Supplemental Income section for additional guidance on rental income.

- Any borrower that applied for a current year tax return extension must provide a copy of the extension in the credit file along with the prior year tax return. Any funds owed to the IRS reflected on the extension provided must be paid in full.
- An YTD P&L is required to determine that income is stable if at least one calendar quarter has elapsed since the required tax filing date. YTD P&L income cannot be used to qualify, only to validate income is stable or has increased since last filing.
- A complete, signed, and dated IRS 4506C is required for each borrower and any business entity filing a separate return, the forms should be executed and transcripts validating income included in the credit file. If the most recent year's transcript is not available then the loan must be escalated for further review. Additional or alternative documentation will be required including, but not limited to, three (3) months current bank statements to show evidence of continuous income receipt and/or prior year IRS transcript.
- Verify the existence of the business within 30 days of the Note date and ensure the business is active with one of the following: a letter from either the business tax professional certifying at least 1 years of self-employment in the same business, or regulatory agency or licensing bureau; along with either a phone listing and/or business address using directory assistance or internet search.

P&L ONLY

Profit & Loss statement prepared by a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), Paid Tax Professional (PTIN) or a CTEC registered tax preparer. The credit file must contain documentation showing the CPA is currently licensed in their state, or the EA/CTEC/PTIN is currently active.

<u>Eligibility:</u>

- Self-employed borrower(s) only with a documented ownership of ≥ 50% of the business.
- Minimum of one (1) to two (2) years self-employment in the current profession depending on the time period being covered by the P&L provided.
    - Validation of a minimum of one (1) to two (2) years existence of the business depending on the time period being covered by the P&L provided from one of the following: business license, letter from tax preparer, Secretary of State filing or equivalent.
- Ownership percentage must be documented via CPA/EA/CTEC letter, Operating Agreement or equivalent.

<u>Documentation Requirements:</u>

- Most recent 12-month or 24-month P&L. P&L end date must be less than sixty (60) days old at closing.
- All P&L statements must be completed by an independent CPA/EA/PTIN/CTEC.
- CPA/EA/PTIN/CTEC must provide attestation that they:
    - Prepared borrower's most recent filed tax returns and that they are not related to the borrower or associated with the borrower or borrower's business; **<u>or</u>**
    - Have reviewed working papers provided by the borrower or audited the business financial statements and that they are not related to the borrower or associated with the borrower or borrower's business
- Credit file must contain documentation that the CPA/CTEC/PTIN license is verified and active. A screen shot of the IRS website for an IRS Enrolled Agent (EA) is acceptable.
- Borrower narrative on nature of business is required.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- Documentation in the file must be consistent with the information on the loan application.

- Verification of business existence and that the business is fully operational/active is required within thirty (30) calendar days of closing.

<u>Qualifying Income:</u>

- Qualifying income is based on the 12-month or 24-month P&L statement divided by the months covered.

- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
    - Depreciation
    - Depletion
    - Amortization/casualty loss

WRITTEN VOE ONLY

A Written Verification of Employment (WVOE) can be utilized when the only source of earnings is wages/salary. The WVOE(s) provided must cover, at minimum, the most recent 24-month period.

- Borrower must have a current 2-year history as a wage earner in the same industry and at least 1-year continuous employment at current job.
- Fully executed Written VOE is required:
    - If obtained directly from the borrower's employer it must be signed by HR/payroll representative or company owner/officer. Printed name and contact number for the signor to be included.
        - 2 months recent bank statements are required to support the income as disclosed on the WVOE being used to qualify. The bank statements must reflect recent deposits from the same employer supporting at least 65% of the gross wages or salary.
    - If the WVOE provided is an EWVOE (Electronic Written VOE) prepared by a 3rd party validation company (Work #, Finicity, etc.) nothing further is required.
- An analysis period of two years must be used in calculating the average overtime, bonus, and commission income. If either type of income shows a continual decline of 20% or more year over year, written justification on the income worksheet must be provided, or income should not be used to qualify.
- Borrowers employed by family members or related individuals are not eligible.
- Gaps of employment are limited to 30 days or less and require explanation from the borrower.
- A 4506T is not required for this income option.
- A Verbal VOE from each employer is required within 10 days of the Note date. The VVOE must also include an internet search of the employer/business to support the current existence of the business.

SUPPLEMENTAL INCOME

A borrower or co-borrower who receives income from other sources can also be used to qualify. Income sources include (but are not limited to) Asset Assist, rental income, retirement, alimony, etc. These income sources must be listed on the loan application and documented accordingly to the guidance below. For the 1 Year Tax Return option rental income must be analyzed utilizing the Schedule E if available.

- **Asset Assist**

  Asset Assist is a supplemental income option based on asset depletion utilizing assets outside of the accounts used to qualify via the bank statement income option documented with one (1) month's current bank statements.

    - Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin on the wealth:
        - Asset must be from a U.S. Institution
        - 100% of Marketable securities (i.e., CD's, money market accounts);
        - 100% of Checking and Savings;
        - 100% cash surrender value of life insurance/annuity
        - 100% of Stocks, Bonds, and Mutual Funds;
        - 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
        - 60% of Retirement Assets: Eligible if the borrower is <u>not</u> of retirement age
        - 100% of Business Checking and Savings: Eligible if the borrower is 100% owner of the business
        - Net proceeds from the recent sale of real estate property can be included in the qualifying assets as long as the sale and asset paper trail is thoroughly documented (i.e., copy of Final Settlement Statement validating final net proceeds and bank transaction history confirming net proceeds deposited). The Final Settlement Statement must confirm all parties listed as the Seller(s) match the same borrower(s) on the URLA for our subject transaction in order to be eligible.
    - Assets Ineligible for Asset Assist:
        - Real Estate Refinance Proceeds;
        - Privately traded or restricted/non-vested stocks;
        - Gift funds
        - Any asset that produces income already included in the income calculation;
        - Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
        - Foreign assets
    - Calculation Method - Qualifying income is based upon the total assets eligible for depletion divided by 60.

- **Rental Income – when the rental property is <u>not</u> the subject property:**
    - Utilize 75% of the current lease income less the PITIA on a net basis. Documentation verifying receipt of rental income is only required if positive rents are used to qualify. If any amount of positive rents are being used to qualify it must be supported with proof of at least one current month's rent receipt. Rental income may not be used to qualify on a vacant unit.
    - Short-Term Rentals: Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g., short weekend, two weeks, less than 30 days, etc.), and may not be subject to a traditional lease agreement. Short-term rental income is permitted. Proof of receipt for the most recent 12-month period is required as documented by the property management company managing the property. Qualifying rental income is calculated based on the total rents received per the ledger provided divided by 12.

- **Rental Income – when the rental property <u>is</u> the subject property:**
  - For Investment property transactions – rental income can be utilized to qualify from the subject property:
    - Long-Term Rents (30+ days or more) – calculate by using the lower of the following:
      - 75% of 1007 validating current market rents, or
      - 75% of the executed lease agreement in place (if applicable).
    - Short-Term Rents (29 days or less) – 3rd Party Property Management
      - Refinance Transactions only.
      - Provide a copy of the most recent 12 months printout from the 3rd party management company to confirm rental income receipt (i.e., Airbnb, VRBO, etc.).
      - Qualifying rental income is calculated using the total rents received for the most recent 12 months divided by 12.
    - Short-Term Rents (29 days or less) – AirDNA "Rentalizer"
      - Purchase transactions only.
      - Occupancy factor as disclosed on the AirDNA Rentalizer printout must be at least 50% or greater to be eligible.
      - Qualifying rental income calculation = Annual Revenue divided by 12 and then multiplied by 90%.
      - CHM UW is to re-pull the AirDNA "Rentalizer" online to validate the information provided and also must notate the qualifying short-term rental calculation on the 1008.

- **Rental Income – when it is derived from an ADU (Accessory Dwelling Unit) attached to the subject property:**
  - If the subject property contains an accessory unit that is used as a rental the income is eligible under the following conditions:
    - The property is defined as a 1-unit SFR with an ADU.
      - Multiple ADUs are not permitted
    - Rental income may be used for the ADU subject to the following:
      - Appraisal to reflect zoning compliance is legal
      - The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
      - For refinance transactions: The market rent for the ADU should be documented with a 1007 and a copy of the current lease agreement. If the current lease agreement reflects rental income greater than the 1007 provided the higher figure can be used as long as two (2) months current receipt of the income is documented. The figure being used must be qualified at 75%.
      - For purchase transactions: The market rent for the ADU should be documented with a 1007 and a copy of the current lease agreement from the Seller being transferred to our borrower, if applicable. The rents are to be qualified at 75% of the 1007 provided by the appraiser.

- **Supplemental Income**
    - Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements meet normal FNMA requirements. The acceptable supplemental income sources are limited to social security, pension/retirement, alimony, child support, and wage earner (not derived from self-employment) second job income. The Underwriter must complete a thorough analysis to ensure each type of income is only being used to qualify once.

Co-Borrower Options

- Full documentation from a co-borrower who is not self-employed may be used to supplement qualifying income. Follow normal full documentation requirements from FNMA.

PROPERTY ELIGIBILITY

APPRAISALS

Appraisal Requirements

Full Interior / Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

- The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a new appraisal report is required.
- A Desk Review or Second appraisal is required on every transaction.
- All Investment Property transactions require a Form 1007, 216 or 1025 (for 2-4 units) to determine current market rents.

Second Appraisal

A Second Appraisal from a Change Wholesale approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.

- Loan amount exceeds $2,000,000.
- The transaction is a flip as defined in the Property Flipping section of this guide
- As required under the Appraisal Review Products section of this guide
- Underwriter Discretion

Appraisal Review Requirements

An appraisal review product is required on every appraisal required for the transaction. The options include the following:

- An enhanced desk review, or

- A field review or second appraisal from a Change Wholesale approved AMC is acceptable. The field review or 2nd appraisal may not be from the same appraisal company as the original report.

If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed. The next option would be either a field review or second appraisal, both must be from a different appraisal company and appraiser than the original appraisal. On transactions where the difference in appraised value is less than 10%, the acceptability of the appraisal is subject to UW Management review and discretion. The final appraised value is based on the lowest reported value amongst all of the appraisal documents/reviews.

Minimum Square Footage

- Single Family Residence - minimum 700 square feet
- Condominiums – minimum 500 square feet
- 2-4 units – minimum 400 square feet per individual unit

Rural Property
A property is classified as rural if all the following conditions exists:

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

Rural properties are permitted under Primary Residence occupancy with max LTV/CLTV of 75% and no cash-out to the borrower (purchase and rate & term only).

Rural properties are permitted under Second Home occupancy with a 5% deduction to LTV/CLTV from the applicable program matrix. Borrower cannot receive any cash out (purchase and rate & term only).

Rural properties are not permitted under Investment occupancy.

Personal Property
Any personal property transferred through a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

Escrow Holdbacks
Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

INELIGIBLE PROPERTY TYPES

- Unique Properties
- Mixed Use properties that do not meet FNMA requirements
- Builder Model Leaseback
- Fractional Ownership/Timeshares
- Live/Work Condominiums
- Multiple dwellings on a single lot (legal ADU permitted, limited to one)

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties that include farms, ranches, orchards
- Log Cabins/Homes
- Manufactured, Mobile
- Condo-hotels or co-op/timeshare hotels
- A project that includes registration services and offer rentals of units on a daily, weekly, or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 20 acres
- No truncating allowed
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana.

PROPERTY FLIPPING

For properties purchased by the seller of the property within 6 months of the new subject purchase contract date where the contract price exceeds the seller's acquisition price by the following:

- More than a 10% price increase if the seller acquired the property in the past 90 days;
- More than a 20% price increase if the seller acquired the property in the past 91-180 days

The following additional requirements apply:

- Second appraisal required from an Approved AMC
    - TPO HPML Transactions: The Broker is responsible for any costs incurred for the second appraisal.
- Second appraisal must be dated prior to the loan consummation/note date;
- Property seller on the purchase contract must be the owner of record;
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, 12 months of receipts, invoices, lien waivers, etc.)
- HPML Transaction additional requirements:
    - The appraiser must specifically state that the appraisal conforms with both the requirements under USPAP and FIRREA.
    - Each valuation must be received by the borrower three (3) Business Days prior to Consummation with no Waiver permitted.
    - Borrower may not pay for the 2nd appraisal for all HPML transactions.

TITLE VESTING & OWNERSHIP

Ownership must be fee simple or Leasehold.

Title must be in the Borrower's name at time of application for refinance transactions and on closing date for all transactions.

Acceptable forms of vesting are:
- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Land trusts, Blind Trusts and IRAs are not eligible forms of vesting.

For Investment Properties Only

Limited Liability Companies ("Entity") are allowed in accordance with the requirements listed below:

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a "Member", and up to a maximum of 4 members per Entity) must provide personal guarantees (Exhibit K) of the obligations of the Entity in a form satisfactory to Change Wholesale.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each Member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:
    - Entity Articles of Organization, or Partnership, and Operating Agreement(s)
    - Tax Identification Number (TIN) or Employee Identification Number (EIN) in the name of the LLC obtained directly from the IRS
    - Certificate of Authorization for the person executing all documents on behalf of the Entity Borrowing Certificate (Exhibit H for Single Member or Exhibit I for Multiple Members)

Documents required

Documents must be completed and signed as follows:
- Loan Application (1003)
    - Completed for each Individual
    - Section labelled "Title will be held in what Name(s)" should be completed with ***only*** the LLC name.
    - Signed by Individuals
- Disclosures (Loan Estimate (LE), Notice of Intent to Proceed, Servicing Disclosure, etc.) ▪ Completed and signed by Individual(s)
    - Completed and signed by Individual(s)
- Closing Disclosure (CD)
    - Completed and signed by Individual(s)
    - Other Closing Documents (Final CD, Borrower Certification of Business Purpose, etc.)
    - Completed and signed by Authorized Member(s)

- Personal Guarantee
    - Completed and signed by Individual(s)
- Note, Deed of Trust/Mortgage, and all Riders
    - "Borrower" in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity

Examples of Signature Requirements

[Authorized Signatory] may be replaced by another label as specified in the Member Consent (e.g., Managing Member, Member, etc.).

Sample 1:
Borrower: JJ Investors, LLC and James Johnson Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [________] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2:
Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2 Members of LLC: James Johnson and Jane Nelson

Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_________] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [ ] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Documentation must be provided to confirm Leaseholds meet all FNMA eligibility requirements (i.e., term of lease to exceed maturity date of the loan transaction, product types).

LIMITATIONS ON FINANCED PROPERTIES

- Max 20 financed properties
- Change Wholesale's exposure to a single borrower shall not exceed $7,500,000 in current UPB or ten (10) properties

DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at http://www.fema.gov/news/disasters.fema. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

Appraisals Completed Prior to Disaster Event

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition as the previous inspection, and the marketability and value remain the same.
- The inspection report must include photographs of the subject property and the street view.
- Any damage must be repaired and re-inspected prior to purchase

Appraisals Completed After Disaster Event

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

CONDOMINIUMS

Fannie Mae eligible projects are allowed.

Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.

- Condominium Hotel –Condotel
  - Condominium Project in which any unit owner or the homeowners’ association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
  - Condominium project where the unit is not the lessee’s residence.
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - Projects with the names that include the words “hotel,” “motel,” “resort,” or “lodge.”
  - A project that includes registration services and offer rentals of units on a daily, weekly, or monthly basis.
  - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type project
- Timeshare or Projects that restrict the owner’s ability to occupy the unit.
- New Condo conversion completed less than 2 years.
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners’ contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Multi-family units where single deed has ownership of more than one or all the units.
- Where more than 50% of total square footage in the project or in the building that the project is in is used for non-residential purposes.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners’ association.
  - Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e., Timeshare
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (cannot be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness, or habitability.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well managed or in poor physical or financial condition.
  - Excessive special assessments; Low Reserves; Neglected Repairs

General Project Criteria

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability, and fidelity coverage
- Conformation the Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.

Fannie Mae Warrantable Condominium Projects

For projects that meet Fannie Mae requirements, follow the review process as required by Fannie Mae.

If the loan does not meet the following criteria for a Fannie Mae Limited Review, a FNMA Full Review is required.

Limited Review Eligible Transactions – Attached Units in Established Condo Projects (For Projects Outside of Florida)	
Occupancy Type	Maximum LTV/CLTV and HCLTV Ratios
Principal Residence	85%
Second Home	75%
Investment Property	75%

Limited Review Eligible Transactions – Florida Attached Units in Established Condo Projects	
Occupancy Type	Maximum LTV/CLTV and HCLTV Ratios
Principal Residence	75%
Second Home	70%
Investment Property	70%

Non-Warrantable Condominium Projects

Stacking of risk is not allowed. Only one non-warrantable factor per project allowed.
Change Wholesale will not finance more than 20% of the units in any one project.
Investor concentration in any project is allowed up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.

- A full review of the project is required. The following documents must be provided:
    - A completed Change Lending HOA Questionnaire (Exhibit D) is required.
    - Master property insurance, liability insurance and flood insurance if applicable
    - HOA Budget
    - Current balance sheet
    - CC&Rs and Bylaw's (new construction and conversion only)
    - Litigation docs, if applicable. (i.e., court documentation)
    - Ground lease, if applicable.

Additional overlays:
- Max DTI: 43%
- Min FICO: 680
- Max LTV: Refer to applicable program matrices for LTV availability

***Refer to grid on next page for allowable exceptions**

Characteristic	Exception Considerations
Commercial Space	Subject property unit must be 100% residential. Project/building commercial percentage must be ≤ 50%. When commercial space exists, it must be "typical for market & have no negative impact on marketability." Commercial percentage is determined by the appraiser. No further assessment required. Commercial space in the building/project exceeding 50% will be reviewed on a single loan exception basis. Commercial entity cannot control the HOA.
New Projects	The project, or the subject's legal phase along with the other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% of the units must be sold or under a bona-fide contract. Unsold units owned by a builder/developer are not considered as investor owned and can be included in the presale requirement.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	Annual budget specifies a minimum of 5% allocation of replacement reserves.
Investor Concentration	Investor concentration in project up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.
Litigation	Pending litigation will be considered on a case by case basis. Pending litigation is not allowed under any circumstance when the litigation involves structural items or items that impact marketability or safety of the project.
Single Entity Ownership	Single entity ownership up to 25%.

EXHIBIT A: OCCUPANCY CERTIFICATION

OCCUPANCY CERTIFICATION

Borrower:	____________________
Co-Borrower(s):	____________________
Property Address:	____________________

City: ____________________ ***State:*** ________ ***Zip Code:*** ____________

I/We the undersigned certify that:

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

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

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

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

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

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

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

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

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

Borrower	Date	Co-Borrower	Date
Co-Borrower	Date	Co-Borrower	Date

Important Ability-to-Repay Notice

Date: ________________________ Application No: ____________________________________

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [ ] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [ ] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (*e.g.*, property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt-to-income ratio; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [ ] has been used and considered in making this loan, as required by applicable law:

Employment and Income
Current Monthly Income: ____________________Current Monthly Income from Assets: ____________________

Housing Expenses
Principal and Interest Payment___________________
Real Estate Taxes______________________________
Homeowner's Insurance________________________
Association Dues______________________________
Other_______________________________________

Total Housing Payment_________________________

Debts
Installment and Revolving monthly debt payments____________________________
Other Obligations (including alimony and child support payments) _______________

Total Monthly Other Debts________________________

The information listed above and, in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [ ] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[ ] wants to make sure that the information listed above is correct and complete. [ ] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
3) Your current employment status is consistent with the information listed above and/or attached;
4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

______________________________ ___/___/_____ ______________________________ ___/___/_____
(Signature) Date (Signature) Date

______________________________ ___/___/_____ ______________________________ ___/___/_____
(Signature) Date (Signature) Date

SELF-EMPLOYED BUSINESS NARRATIVE FORM

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

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

Date Business Started:

Percentage of Business Owned:

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

Business Location and Associated Rent:

Is location in a commercial or residential dwelling?

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

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

Materials / Trucks / Equipment / Other:

Business Analysis:

Additional Information to provide underwriting for consideration during their analysis:

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

Date: ______________________ ***Title:*** ______________________

Signature: ______________________ ***Name:*** ______________________

EXHIBIT D: CONDOMINIUM PROJECT QUESTIONNAIRE

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name		***Year Project Built***	
Name of Homeowners Association (HOA)		***Total Number of Units***	
Project Address (not subject Condo)		***Total Number of Phases***	

Is project 100% complete including all units, common elements, and amenities, and not subject to additional Phasing?

If no, please provide an explanation

PROJECT INFORMATION

Total number of units sold and conveyed to unit purchasers	
Total number of units retained by developer	
Total number of units sold by developer	
Total number of units currently for sale (including units owned by developer/builder and unit owners)	
Total number of units Owner Occupied	
Total number of units Second Home	
Total number of units that are Investment Property (rented or leased), including units owner by builder/developer	
Is project a condominium hotel or motel?	
Is project a timeshare or segmented ownership project?	
Is project a houseboat project?	
Is project a multi dwelling unit condominium (in which multiple units are evidenced by a single deed and mortgage)?	
Is the project an Investment Security?	
Is the project a common interest apartment or community apartment project?	

Is project a Cooperative?
Is the project a Planned Unit Development (PUD)?
Is the project a manufactured Housing project?
If yes, does the project only consist of single width manufactured housing units?
Is the HOA named as a party to any pending litigation?
If yes, please provide a letter from the HOA on their letterhead disclosing the nature and status of the litigation. Please take note that a letter from the attorney representing the HOA may be required if further clarification is needed.
Is the developer named as a party to pending litigation involving this project?
If yes, please provide a letter from developer's attorney disclosing the nature and status of litigation
Is any part of the project used for non-residential (Commercial) purposes?
If yes, what percentage of square footage is used for non-residential purposes?
If yes, what is the non-residential space used for?
Does any single entity (individual, partnership, investor group, Corporation, etc.) own more than 10% of the total units in the project?
Have at least 90% of the total units in the project been conveyed to unit purchasers?
Has control of the HOA been turned over to the unit purchasers?
If yes, provide date transfer occurred.
Are there any monthly assessments delinquent by more than 30 days?
If yes, please provide the number of units that are delinquent, and the total dollar amount outstanding.
What are the monthly HOA fees for the project? If amounts vary, provide range.

Does the HOA budget provide adequate funding for the proper management and operation of the project?
If no, please provide detail
Does the HOA budget provide funding for replacement reserves of at least 10% of the budget for capital expenditures and deferred maintenance?
What amount is currently held in reserve for future repair and/or replacement of major components of the project?
What was the HOA reserve account balance as of the end of the most recent quarter?
Does the HOA budget provide adequate funding for insurance deductible amounts?
Is hazard insurance in place to cover 100% of the insurable replacement cost of the project improvements including individual units
Is liability insurance in place providing at least One Million Dollars ($1,000,000) of coverage for bodily injury and property damage per occurrence?
Is flood insurance (if required) in place providing coverage of at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under NFIP?
Is fidelity insurance in place covering the maximum amount of funds that will be in custody of the HOA or Management Company at any time (required if project is 20 or more units)?
Does the project have attached units?
Is the project managed by a hotel or motel, even though the units are individually owned?
Does the project restrict owners to occupy their units?
Does the project have mandatory rental pooling agreements that require the unit owners to either rent their units or give a management form control over the occupancy of the units?
Does the project include registration services and offer rentals daily?
Does the project have any non-incidental business operation owned or operated by the HOA?
Is the project a hotel or motel conversion
Are the units in the project owned in either fee simple or leasehold title
Does the HOA require automatic, non-severable membership for each individual unit owner, and provide for mandatory dues/assessments?

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

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

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

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

Do the units have separate metering?

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

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

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

Is the project managed by an independent management company?

If yes, what is the name of the company?

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

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

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

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

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

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

If yes, please explain

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

How many units are in the project?

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

Are all of the units, common elements and facilities within the project, including those that are owned by any master association 100% complete?
Are the unit owners the sole owners of, and have rights to the use of the project's facilities, common elements and limited common elements?
How many units are owned as principal residence or second home?
Any pending or levied assessments by HOA?
If yes, total amount
If yes, per unit amount (range is acceptable)
If yes, term
If yes, balance
If yes, is work completed?
If yes, provide brief description
Does HOA have any knowledge of any environmental factors affecting the project as a whole or any individual units?
If yes, please explain
Is there more than one association within the project covered by a master association or umbrella association?
If yes are amenities, common elements, and limited common elements available through Master Association
Are there any common amenities, or recreational facilities to be built in the future?
If yes, please explain
Does project contain any units with resale or deed restrictions?
If a unit is taken over in foreclosure, will the mortgagee be liable for more than 6 months of unpaid dues?
Does the HOA require more than one member to sign al checks written from operating and reserve accounts?

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

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

HOA Name:	
HOA Taxpayer ID:	
Date:	
HOA Representative: *(sign and print)*	*Signature* / *Print*
HOA Representative Telephone:	
HOA Representative Email:	
Management Company:	

EXHIBIT E: CONDOMINIUM PROJECT WARRANTY CERTIFICATION

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name: ______________________________

Project Address: ______________________________

City: __________ ***State:*** __________ ***Zip Code:*** __________

Phase: ______________________________

Borrower Name: ______________________________

Subject Address: ______________________________

City: __________ ***State:*** __________ ***Zip Code:*** __________

Seller Name: ______________________________

Loan Number: ______________________________

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae. The Seller representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review, including review of all required documentation for the project type.

Project Type: Established New 2–4 Unit

Project Documents reviewed include:

______ Condo Questionnaire

______ Current annual HOA/Project Budget

______ Current Balance Sheet

______ Evidence of Project Insurance

______ Project legal documents as required by Project type

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

____
Name of Seller Representative

____
Title of Seller Representative

____
Date of Certification:

BORROWER CONTACT CONSENT FORM

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

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

Mailing address for your mortgage statements and other correspondence:

________ Same as the subject property.

________ Please use this mailing address instead:

Address Line 1: ______________________________ *Apt. #:* __________

Address Line 2: ______________________________

City: ______________ *State* ______________ *Zip Code:* __________

Country: ______________________________

Cell Phone Number:

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

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

Email Address:

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

Borrower: ______________________________

Co-Borrower: ______________________________

Signature(s):

Borrower: ______________________________

Co-Borrower: ______________________________

CONSENT OF SPOUSE

I, ________________________________, spouse of ________________________________, acknowledge that I have read the ________________________, dated as of ______________, by

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

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

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

____
[Name of Spouse]

Spouse's Address [Address of Spouse]:

Street: __________________________ ***City:*** ______________________ ***State:*** ________ ***Zip Code*** _________

[INSERT NOTARY ACKNOWLEDGEMENT]

EXHIBIT H: LLC BORROWING CERTIFICATE – SINGLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being the sole member of [________] , a limited liability company] ("**Borrower**"), does hereby certify that it is the sole and only member of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("**Lender**") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [, 20].

[INSERT SIGNATURE BLOCK FOR SOLE MEMBER]

EXHIBIT I: LLC BORROWING CERTIFICATE – MULTIPLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being all of the members of [____________, a ____ limited liability company] ("Borrower"), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("Lender") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with [LENDER LEGAL NAME] Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$____________] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_______________, 20__].

[INSERT SIGNATURE BLOCKS FOR MEMBERS AND ALL MANAGERS]

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT

Loan Number: ______________________

Borrower(s): ______________________

Property Address: ______________________

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

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

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

Initial(s): ________	**The Property is not and will not be occupied by me or any member of the LLC or any family member.**

Borrower(s) / Borrowing Entity Members:

NOTARY PUBLIC

____ Date: __________________

____ Date: __________________

EXHIBIT K: PERSONAL GUARANTY AGREEMENT

PERSONAL GUARANTY AGREEMENT

In consideration of ___________________ having its principal place of business at _______________ agreeing to lend the sum of __________ (loan amount) to_________________________________ (the Guarantor), does hereby unconditionally guarantee to _______________________ its successor or assignee, as their interest may appear (the "Mortgagee"), jointly and severally with other guarantors, the payment of the loan when due (at maturity, by acceleration or otherwise), and any and all attorney's fees, costs, damages and expenses suffered or incurred by rising out of the making of said mortgage, in the amount of ________________________ and interest, plus attorney's fees, costs, damages and expenses, and any and all extensions and renewals thereof.

The liability of the undersigned shall exist and continue to exist whether or not the signature or name of the undersigned appears on any evidence of indebtedness from the borrower to the Mortgagee. The undersigned hereby waives notice of the acceptance of this guaranty and of any demand for payment hereunder, presentment, demand, protest, dishonor, or default or notice thereof with respect to the above transaction.

The undersigned agrees to be liable and pay for any deficiency if the note holder forecloses the mortgage securing the note pursuant to the terms of the mortgage and the proceeds received under a foreclosure proceeding, after deduction for expenses, are not sufficient to satisfy the indebtedness of the Borrower.

No extension of time or forbearance on the part of the Mortgagee with respect to the mortgage or modification of the terms and provisions of the mortgage shall operate to release any of the Guarantor's obligations hereunder nor shall any delay on the part of the Mortgagee in exercising any of its options, powers or rights under the mortgage or hereunder or a partial or single exercise thereof constitute a waiver of any other rights hereunder.

This guaranty shall be construed as an absolute, continuing and unlimited guaranty of payment without regard to the regularity, validity, or enforceability of any liability of and obligation of the Borrower hereby guaranteed; and the Mortgagee shall not be required to proceed first against the Borrower or any other person, firm or corporation or any collateral Security held by the Mortgagee to be deemed cumulative and the availing of one remedy or another not to be deemed an election of remedy.

Borrowing Entity _________________________

By Guarantor: _________________________

Print Name:_____________________________

Date: ____

(State of): ____

(County of) ss: ____

On the _________ (date) before me, the undersigned, a Notary Public in and for said State, personally appeared _______________, personally known to me or proved to me on the basis of satisfactory evidence to be the Individual(s) whose name(s) is(are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public Signature