

# Change

WHOLESALE

**INVESTOR**

ALT-QM  
UNDERWRITING  
GUIDELINES

04/18/2024

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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 risk indicated by a recent credit event or elevated debt-to-income ratio.

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.

Borrowers with a loan under the Investor Program must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business-purpose 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.*

| FICO & LTV/CLTV |           | DSCR >= 1.00 |                |          | DSCR >= 0.75 |                |          |
|-----------------|-----------|--------------|----------------|----------|--------------|----------------|----------|
| FICO            | Loan Size | Purchase     | Rate/Term Refi | Cash Out | Purchase     | Rate/Term Refi | Cash Out |
| 740             | ≤ \$1.0m  | 80           | 80             | 75       | 75           | 75             | 70       |
|                 | ≤ \$1.5m  |              | 75             | 70       | 70           | 70             | 65       |
|                 | ≤ \$2.0m  | 75           | 75             | 60       | 65           | 65             | 60       |
| 720             | ≤ \$1.0m  | 80           | 80             | 75       | 75           | 75             | 70       |
|                 | ≤ \$1.5m  |              | 75             | 70       | 70           | 70             | 65       |
|                 | ≤ \$2.0m  | 75           | 75             | 60       | 65           | 65             | N/A      |
| 700             | ≤ \$1.0m  | 80           | 75             | 70       | 75           | 75             | 65       |
|                 | ≤ \$1.5m  |              | 75             | 70       | 70           | 70             | 65       |
|                 | ≤ \$2.0m  | 70           | 70             | 60       | 65           | 65             | N/A      |
| 680             | ≤ \$1.0m  | 75           | 75             | 65       | 70           | 70             | 60       |
|                 | ≤ \$1.5m  | 70           | 70             | 60       | N/A          | N/A            | N/A      |
|                 | ≤ \$2.0m  | 65           | 65             | N/A      | N/A          | N/A            | N/A      |
| 660             | ≤ \$1.0m  | 70           | 70             | 65       | 60           | 60             | 60       |
|                 | ≤ \$1.5m  | 65           | 65             | 60       | N/A          | N/A            | N/A      |
|                 | ≤ \$2.0m  | 60           | 60             | N/A      | N/A          | N/A            | N/A      |

| Reserves                                |                           |
|---|---------------------------|
| \$125,000 – \$500,000                   | 3 Months                  |
| \$500,001 – \$1,000,000                 | 6 Months                  |
| \$1,000,001 – \$2,000,000               | 6 Months                  |
| Additional Financed Properties          | None                      |
| Cash Out Used as Reserves               | Allowable                 |
| Additional Program Information          |                           |
| Interest Only Restrictions (DSCR =1.00) | Min 700 FICO, Max 75% LTV |
| Interest Only Restrictions (DSCR =0.75) | Min 700 FICO, Max 70% LTV |
| Interest Only Restrictions (No Ratio)   | Not Eligible              |
| Personal Guarantee                      | Required                  |
| Prepay Penalties by State               | Permissible by Law        |

| General Requirements                  |  |
|---------------------------------------|--|
| Product Type                          | 5/6 ARM, 10/6 ARM, 30 Year Fixed (IO)  |
| Loan Amount                           | \$2.0mm max, \$125k min  |
| Occupancy                             | Investment Only  |
| Max LTV, Min FICO                     | 80%, 660   |
| Max DTI                               | N/A  |
| Payment History                       | 0x30x12  |
| Credit Event Seasoning (BK,FC,SS,DIL) | > 3+ Years   |
| Interest Only                         | Eligible (10/20 IO), ARMs & Fixed  |
| Interest Only Restrictions            | Min 700 FICO. (DSCR >=1.00, Max 75% LTV, DSCR >=.75x, Max 70% LTV, No Ratio Not Permissible) |
| Min DSCR                              | 0.75   |
| ARM Margin                            | 5.00%  |
| Cash Out Requirements                 |  |
| LTV >60%                              | \$500k (Max Cash Out)  |
| LTV <=60%                             | Unlimited Cash Out   |
| Borrower Eligibility                  |  |
| FTHB                                  | Not Permitted  |
| Non-Occupant                          | N/A  |
| Co-Borrower                           | N/A  |
| Permanent Resident Alien              | Eligible, No Restrictions  |
| Non-Permanent Resident Alien          | Max 75% LTV/CLTV, No Cash-Out  |
| Property Type                         |  |
| 2-4 Units                             | Max 80% LTV  |
| Warrantable Condos                    | Max 75% LTV  |
| Non-Warrantable Condos                | Max 75% LTV  |
| Rural Properties                      | Not Eligible   |
| Income Qualification                  |  |
| DSCR Calculation                      | Gross Rent/PITIA or Gross Rent/ITIA (Interest Only)  |



### 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. *Properties within a Declining Market require a 5% reduction to the max LTV/CLTV offered (refer to grid above). |
| Assets                  | Assets sourced and seasoned for 30 days.   |
| Citizenship             | US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit - max 75% LTV)   |
| Credit                  | Standard one (1) tradelines reporting satisfactorily for 12+ months with activity in the most recent 90 days.<br>Current housing not reporting on credit can be considered an open trade if supported by canceled checks/bank statements.  |
| DSCR                    | Debt Service Coverage Ratio = Gross rental income/PITIA; Gross income = lesser of market rent or lease in place. DSCR calculations less than 75% are not eligible.   |
| First Time Investors    | First Time Investors are permitted if the DSCR is > 1.00 and the qualifying FICO is > 700.   |
| Gift Funds              | Gift funds are acceptable as 100% down payment for loans <75% LTV. Gift funds are acceptable for loans >=75% LTV with 5% minimum borrower contribution.  |
| LLC Loan                | Property vested in LLC loan must have Personal Guarantor(s).   |
| Max Financed Properties | Maximum 20 financed properties including subject property.   |
| Prepayment Penalty      | Where permitted by applicable laws and regulations. Total points, fees and APR may not exceed current state and federal high-cost thresholds.  |
| Property Types          | Single Family Residences, PUDs, Townhomes, Condominiums, and 2-4 Units. Non Warrantable Condos, Manufactured Homes, and Log Homes are not permitted.   |
| Qualifying Rate         | Fixed = Note Rate; 5/6m and 10/6 ARM = Greater of Note Rate or Fully Indexed Rate  |
| Qualifying Payment      | All: Use Qualifying Rate (refer to box) for calculating PITIA<br>Interest Only: qualifying using the interest only payment   |
| Seller Concessions      | Up to 3%   |
| Subordinate Financing   | Not permitted  |



## INVESTOR

### PROGRAM ELIGIBILITY

- **Investor** - Program geared toward investors (Business Purpose) with alternative qualifications based on cash flow of the property and rental income vs. PITIA.

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  
\*Refer to program matrices for allowable LTV/CLTVs.

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 initial interest only payment. DSCR ratios less than 75% are not permitted.

### LOAN AMOUNTS

#### **Minimum Loan Amount**

- \$125,000

#### **Maximum Loan Amount**

- \$2,000,000



## MINIMUM FICO

- 660

## MAXIMUM LTV/CLTV

- 80% / 80%

## INTERESTED PARTY CONTRIBUTIONS (SELLER CONTRIBUTIONS)

### **Investor:**

Up to 3%

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

Not permitted.

## AGE OF DOCUMENTS

Per FNMA standard guidelines.

## FEES

Standard fee of \$1,795 for Wholesale

Retail follows Standard State Fees.

## BORROWER STATEMENT OF OCCUPANCY

### Investment Properties

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the “Business Purpose & Occupancy Affidavit” in EXHIBIT A 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 D) in the Exhibit section of the Guide.

## STATE AND FEDERAL HIGH-COST LOANS

High-cost loans are not allowed.

## PREPAYMENT PENALTY

Where 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 shall be equal to six (6) months interest at the then applicable Interest Rate on the amount prepaid that exceeds twenty percent (20%) of the original principal balance of the loan. The prepayment charge shall be assessed if the loan is paid due to sale or refinance of the property or any curtailments that exceed twenty percent (20%) of the original principal amount of the loan in any given twelve (12) month period.**

- The following states are subject to local jurisdiction prepayment penalty rules and regulations:
  - District of Columbia, Illinois, Michigan, Mississippi, Oklahoma, and Utah
- Not allowed in Alaska, Kansas, Minnesota, New Mexico, North Carolina (loan amounts > \$100,000) 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 damages 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 (including guaranteed replacement, if applicable); 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**

Rent loss insurance covering a minimum of 6 months of the rental figure used to qualify is required for the subject property on all DSCR transactions.

## 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 application date and transaction must include a minimum 1 year prepay where permitted.
- 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

### **Non-Arm's Length**

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with 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).

### **Interested Party Transaction**

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
- 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**

**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.
- Not permitted

**FIRST TIME INVESTOR**

- Definition: An individual who currently owns residential property, but the property is not currently designated for investment/tenant occupancy.
- Permitted with the follow requirements:
  - Borrower must have a satisfactory recent 12-month housing payment history and minimum FICO of 700.
  - The subject property DSCR must be greater than 100.

**RESIDENCY**

|            |  |
|------------|--|
| Eligible   | <ul style="list-style-type: none"> <li>• U.S. Citizen</li> <li>• Permanent Resident Alien (see requirements that follow)</li> <li>• Non-Permanent Resident Alien (see requirements that follow)</li> </ul> |
| Ineligible | <ul style="list-style-type: none"> <li>• Applicants possessing diplomatic immunity</li> <li>• DACA &amp; asylum applicants</li> <li>• Foreign National</li> </ul>  |

|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>• Borrowers from OFAC sanctioned countries</li> <li>• Politically exposed borrowers</li> <li>• Any material parties (company or individual) to transaction listed on HUD’s Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list.</li> </ul> |
|--|--|

**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 include 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.
- A fully executed Certification of Resident Alien Status Form must be provided at time of submission.

**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-1, L-1, NATO, O-1, R-1, TN NAFTA
  - Visa must be current and may not expire for a minimum of 1 year following the close date.
  - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.
- Loan terms must meet the following criteria:
  - Maximum 75% LTV/CLTV
  - Purchase and rate & term refinances only

**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 needs to also 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
- DACA & asylum applicants
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings



## 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 borrower must state 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 one of 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 but are not necessarily always required. 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 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 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

Borrowers who are not FTHBs and are 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 borrower is residing in.

## CONSUMER CREDIT

### **Consumer Credit History**

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

All derogatory revolving and installment accounts > 60 days with four (4) years of closing require a full explanation.

Delinquent credit belonging to ex-spouse can be excluded if the late payments occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse.

### **Installment Debt**

Installment debt paid off in full or paid at closing may be excluded from the DTI if supported with a credit supplement or evidence of payoff on the Closing Disclosure. The assets used must be sourced if paid off in full after the application date but before closing.

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**

- Individually or aggregate 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 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.

#### **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) disclosed on title 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 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 Investor 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 Investor 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 Investor 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 Investor 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.
- **Investor Program:** Use decision score amongst all borrowers/guarantors who will be on the Note and Title.
- Credit rescues are not permitted except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescore was performed.

## TRADELINER REQUIREMENTS

### **Standard Tradelines**

- One (1) tradeline reporting satisfactorily for 12+ months with activity in the most recent 90 days.

**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 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 know that the information on 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.

## ASSETS

### DOCUMENTATION OPTIONS

Full asset documentation is required for both funds to close and reserves. For most asset types this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement, or FNMA approved 3<sup>rd</sup> party direct pull services.

- Account Statements should cover 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.
- Large deposits do not need to be sourced on Investor DSCR transactions.
- Bank accounts jointly owned with a non-borrowing spouse are allowable if documented with a relationship letter.
- 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 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.

## RESERVES

Refer to the applicable Change Wholesale loan program matrix for the reserve requirements by program.

- Reserves must be sourced and documented per guidelines.
- Reserves are calculated off actual P&I payment, plus taxes, insurance, and HOA fees (PITIA)
- Reserves for an Interest Only (IO) loan will be based on the initial Interest Only payment (ITIA)
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.
- Cash out can be used as reserves.
- Reserves are not required for any additional financed properties. Reserve requirement is based on the subject property only.

## GIFT FUNDS

Gift Funds are acceptable if the following applies:

- Purchase transactions only
- 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.
- Gifts of equity are permitted only when documentation is provided showing that the Seller is paid current, and the transaction would not be considered a bail out.

Gift funds are not permitted for:

- Investment properties >80% LTV/CLTV
- Meeting the transaction's reserve requirements

#### 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
- IRS 1031 Tax Exchange not allowed on primary residences or second homes
- Gift of Equity
- Rent credits

#### INCOME

##### DEBT SERVICE COVERAGE RATIO

The Debt Service Coverage documentation option is only allowed on the Investor Program and property income is used to qualify the transaction. Debt Service Coverage is available to experienced homeowners purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Business Purpose & Occupancy Affidavit (Exhibit A).

### **Restrictions**

- See Investor Program matrices for max LTV;
- Minimum 660 credit score.
- Any transaction where the cash out proceeds would be utilized for personal use would not be eligible
- Tax returns and IRS Form 4506C are not required for the program.

### **Borrower Income**

- Debt to Income Ratios are not calculated - no income or job information is required on the URLA.

### **Documentation Requirements**

#### **• Purchase**

- Long-Term Rents (30+ days or more) – calculate by using the lower of the following:
  - 1007 validating current market rents, or
  - The executed lease agreement in place (if applicable).
- 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.
  - 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.

#### **• Refinance**

- Form 1007, 216 or 1025 (for 2-4 units) is required to determine current market rents,
- Existing lease agreement(s),
  - If executed lease agreement reflects a higher monthly rent than the 1007 provided by the Appraiser, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months must be documented.
- If new lease it must include copy of lease along with proof of receipt of damage deposit and first month’s rent.
- 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, several months, etc.), and may not be subject to a traditional lease agreement. Short-term rentals are permitted. Proof of receipt for the most recent 12-month period is required. Use documented 12 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that particular month. Most recent month’s rental figures must be consistent with receipt patterns over the last 12 months. The DSCR factor is calculated using the most recent documented 12-month average.
- For vacant or properties that are currently not leased the max LTV is 65%. A 1007, 216 or 1025 (for 2-4 units) is still required to validate current market rents.
- Properties currently being occupied by non-paying tenants/family members are not eligible for this business purpose program as the property does not debt service



### **Debt Service Coverage Ratio**

Debt Service Coverage Ratio is the Monthly Gross Income divided by the proposed PITIA of the subject property (not the qualifying payment). The DSCR calculation with an Interest Only feature is based on the Monthly Gross income divided by the proposed Interest Only PITIA payment.

See the Investor matrix for required Debt Service Coverage Ratios and specific calculations.

### **EXAMPLE: DEBT SERVICE COVERAGE RATIO**

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Gross Market Rent = \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*)

Gross Income = \$850

÷ PITIA = \$650

DSCR = 1.30

## 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.
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if severely damaged or destroyed.
- Appraisals with condition rating of C5 or C6 or quality rating of Q6 are not permitted.

#### **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% (or more than 5% if the LTV exceeds 85%) 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 when 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

### **Declining Markets**

Properties located within a Declining Market as defined by the appraiser require a 5% reduction to the max LTV/CLTV offered.

### **Rural Property**

A property is classified as rural if all the following conditions exist:

- 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 not permitted under the Investor DSCR program.

### **Personal Property**

Any personal property transferred with 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
- Builder Model Leaseback
- Fractional Ownership/Timeshares
- Live/Work condos
- 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
- Cooperative share loans
- Boarding houses, group homes or bed/breakfast properties
- Properties with zoning violations
- Dome, geodesic homes, earth berm 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

When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%) percent, the transaction is considered a “flip”. To determine the three hundred and sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller of other parties participating in the sales transaction.
- No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignment of the contract to another buyer

- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement is required from the borrower
- Second appraisal required from an Approved AMC under the following circumstances:
  - Greater than ten (10%) percent increase in sales price if seller acquired the property in the past ninety (90) days
  - Greater than twenty (20%) percent increase in sales price if seller acquired the property in the past one hundred eighty (180) days
  - Borrower may not pay for the 2<sup>nd</sup> appraisal for all HPML transactions
- 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:
  - 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.

## 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.

### **Vesting in an LLC:**

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 H) 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 F for Single Member or Exhibit G for Multiple Members)

**Documents required**

Documents must be completed and signed as follows:

- Loan Application (URLA)
  - 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]

**POWER OF ATTORNEY**

Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, and initial loan application is signed by the borrower executing the POA.

Not permitted on cash-out transactions.

**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 from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

### **Appraisals Completed After Disaster Event**

- 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.

### **Disaster Incident Occurs after Closing, Prior to Loan Purchase**

- A Post Disaster Inspection (PDI) Report from Clear Capital is required.
- Any indication of damage reflected on the report will require a re-inspection by the appraiser.
- Any damage that impacts the safety or habitability of the property or damage in excess of \$2,000 without proof of repair is not permitted.

## 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.
- Any project in which a single entity owns more than 25% of the total number of units. Projects that have 5-19 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 50% of total square footage in the project or in the building that the project is located 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
- Confirmation 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 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.

| <b>Limited Review Eligible Transactions – Attached Units in Established Condo Projects<br/>(For Projects Outside of Florida)</b> |  |
|--|--|
| <b>Occupancy Type</b>  | <b>Maximum LTV/CLTV and HCLTV Ratios</b> |
| Investment Property  | 75%                                      |



| Limited Review Eligible Transactions – Florida Attached Units in Established Condo Projects |                                   |
|---|-----------------------------------|
| Occupancy Type  | Maximum LTV/CLTV and HCLTV Ratios |
| 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 C) 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:

- 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%.  |

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: \_\_\_\_\_

CONDOMINIUM PROJECT QUESTIONNAIRE

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

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-incidentual 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:**

---

**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:

EXHIBIT D: BORROWER CONTACT CONSENT FORM

**BORROWER CONTACT CONSENT FORM**

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

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

**Mailing address for your mortgage statements and other correspondence:**

\_\_\_\_\_ Same as the subject property.

\_\_\_\_\_ Please use this mailing address instead:

**Address Line 1:** \_\_\_\_\_ **Apt. #:** \_\_\_\_\_

**Address Line 2:** \_\_\_\_\_

**City:** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip Code:** \_\_\_\_\_

**Country:** \_\_\_\_\_

**Cell Phone Number:**

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

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

**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:** \_\_\_\_\_

EXHIBIT E: CONSENT OF SPOUSE

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]

**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]**

**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]

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