

DG Non QM – DSCR

Single Investment Property				
Maximum LTV/CLTV		>= 1.00		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refinance	Cash-Out Refinance
700	1,000,000	80	75	75
	1,500,000	80	75	75
	2,000,000	75	70	70
	3,000,000	70	65	65
	3,500,000	70	65	NA
660	1,000,000	75	75	70
	1,500,000	75	70	70
	2,000,000	70	65	65
	2,500,000	70	65	65
	3,000,000	65	NA	NA
640	1,000,000	75	70	NA
	1,500,000	65	65	NA
	2,000,000	65	NA	NA
	3,000,000	60	NA	NA
Maximum LTV/CLTV		< 1.00		
700	1,000,000	75	70	70
	1,500,000	75	70	70
	2,000,000	70	65	65
	2,500,000	65	NA	NA
	3,000,000	60	NA	NA
680	1,000,000	70	65	NA
	1,500,000	70	65	NA
	2,000,000	65	60	NA
	3,000,000	60	NA	NA
660	1,000,000	65	NA	NA
Property Type				
<ul style="list-style-type: none">Single Family: Attached, Detached2-4 Units and Condominiums: Max LTV/CLTV Purchase 75%, Refinance 70%Condo Hotel: Max LTV/CLTV Purchase 75%, Refinance 65%, Max Loan Amount \$1,500,000Rural: Max LTV/CLTV 75% Purchase, 70% Refinance				
Housing History	Credit Event Seasoning	Investor Experience		
<ul style="list-style-type: none">1x30x12 – No reduction0x60x12 – Max 70% LTV Purchase & Max 65% LTV Rate/Term & Cash-out	<p>BK/FC/SS/DIL/PreFC/MC:</p> <ul style="list-style-type: none">>=36 Mo – No reduction>=24 Mo – Max 75% LTV Purchase & Max 70% LTV Rate/Term & Cash-out <p>Forbearance, Modification, or Deferral: > 12 Mo</p>	<p>Experienced Investor: Borrower/guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. First Time Investor: A borrower/guarantor that is purchasing an investment property for the first time, meaning they have not previously owned a property intended for rental income, resale, or other investment purposes.</p> <ul style="list-style-type: none">First time investors eligible subject to the following restrictions:<ul style="list-style-type: none">First-time homebuyer not allowedMin credit score: 700>= 36 Mo seasoning from any credit event1-Unit onlyDSCR > 1.00Must own a primary residence <p>First Time Homebuyer: Not eligible except as allowed in Seller Guide</p>		
Unleased Properties	All long-term rental refinances: A vacant or unleased property is allowed subject to max LTV of 70%. Not applicable for short-term rentals, see short-term rental income section for specific criteria.			
State Eligibility				

- State Overlays for CT, FL, IL, NJ, NY: Max LTV/CLTV limited to 75% for purchase, 70% for rate/term and cash-out transactions, and max loan amount \$2.0MM.
- IL, NY: 2-4 Units not eligible
- Ineligible locations: Puerto Rico, Guam, & the US Virgin Islands

Declining Market

If the appraisal report identifies the property in a declining market, max LTV/CLTV is limited to 75% for purchase and 70% for rate/term and cash-out transactions and the maximum loan amount is limited to \$2.0MM.

General Requirements

Product Type	<ul style="list-style-type: none"> • Fixed Rate Terms: 15, 30, 40-years • 5/6 ARM, 7/6 ARM, 10/6 ARM with 30-year term
Interest Only (IO)	<ul style="list-style-type: none"> • Min Credit Score: 680 • Max LTV: 75% Purchase, 75% Rate/Term, 70% Cash-Out • 40-year term ARMs eligible with IO feature
Loan Amounts	<ul style="list-style-type: none"> • Min: 100,000 • Max: 3,500,000
Loan Amt < 150K	<ul style="list-style-type: none"> • Max LTV/CLTV: Purchase 70%, any Refinance 65% (Min DSCR 1.25)
Loan Purpose	<ul style="list-style-type: none"> • Purchase, Rate/Term, and Cash Out
Occupancy	<ul style="list-style-type: none"> • Investment
Acreage	<ul style="list-style-type: none"> • Property up to 5-acres

DG Non QM – DSCR, continued
General Requirements, continued

Max Cash-In-Hand	<ul style="list-style-type: none"> • LTV \geq 65% - \$500,000 • LTV < 65% - \$1,000,000 • Total equity withdrawn cannot exceed these limits (Not applicable to Delayed Financing transactions)
Appraisals	<ul style="list-style-type: none"> • FNMA Form 1004, 1025, 1073 with interior/exterior inspection. Appraisal review product required unless 2nd appraisal obtained. • 2nd Appraisal required for loans > \$2,000,000.

Income Requirements
Long-Term Rental Documentation and DSCR Calculation

- **Purchase Transactions:**

- o Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.
- o If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent. Monthly gross rent is to be evaluated for each unit individually.
 - If using the lower of the actual lease amount or estimated market rent, nothing further is required.
 - If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%.
 - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.
- o A vacant or unleased property is allowed without LTV restriction.
- o Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR.

- **Refinance Transactions:**

- o Required documentation:
 - Original appraisal report reflecting tenant-occupied, and
 - FNMA Form 1007 or 1025 reflecting long-term market rents, and
 - Executed lease agreement
 - Leases that have converted to month-to-month are allowed.
 - If lease agreement is not provided, LTV/CLTV is limited to lesser of 70% or per DSCR/FICO/Loan balance matrix.
- o A vacant property as indicated on the appraisal is allowed subject to the following:
 - LTV/CLTV limits: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
- o Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025. Monthly gross rent is to be evaluated for each unit individually.
 - If using the lower of the actual lease amount or estimated market rent, nothing further is required.
 - If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%.
 - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.
- o Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR.

- **DSCR Calculation:**

- o Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA (or ITIA) of the subject property.
- o PITIA: Gross rents divided by PITIA = DSCR, ITIA: Gross rents divided by ITIA = DSCR

Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation

Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

- **Short-Term Rental Income – Purchase and Refinance Transactions:**

- o LTV is lesser of 75% for purchase and 70% for refinance, or LTV based upon the DSCR/FICO/Loan balance. (Excludes condotels)
- o DSCR Calculation:
 - Monthly gross rents based upon a 12-month average to account for seasonality required.
 - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
 - PITIA: (Gross Rents * .80) divided by PITIA = DSCR, ITIA: (Gross Rents * .80) divided by ITIA = DSCR
- o When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
- o Any of the following methods may be used to determine gross monthly rental income:
 - o Short-term rental (STR) analysis form or 1007/1025 may be used. The analysis must include the following:
 - Provide the source of the data used to complete the STR analysis.
 - Include comparable STR properties, focusing on room count, gross living area (GLA), location, and market appeal.
 - Include daily rental rate and occupancy percentage.
 - Factor seasonality and vacancy into the analysis.
 - Must be completed by a licensed appraiser.
 - o The most recent 12-month rental history statement from the 3rd party rental/management service.
 - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying income must be net of all vendor or management fees.
 - o The most recent 12-month bank statements from the borrower/guarantor evidencing short-term rental deposits. Borrower/guarantor must provide rental records for the subject property to support monthly deposits.
 - o AIRDNA Rentalizer/Property Earning Potential Report accessed using the Explore Short-Term Rental data, must meet the following:
 - Rentalizer (Property Earning Potential Report)
 - Only allowed for purchase transaction
 - Gross rents equal the revenue projection from the Property Earning Potential Report less the 20% extraordinary expense factor
 - Forecast period must cover 12-months and dated 90-days within the Note date
 - Maximum occupancy limited to 2 individuals per bedroom
 - Must have three (3) comparable properties similar in size, room count, amenities, availability, and occupancy
 - Market Score or Sub-Market Score must be 60 or greater as reflected on the Property Earning Potential Report.

Income

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Underwriting Requirements			
Credit Score	<ul style="list-style-type: none"> Use representative credit score of the borrower/guarantor with the highest representative score. 	Tradelines	<ul style="list-style-type: none"> If borrower/guarantor has three (3) credit scores, the minimum tradeline requirement is waived Min: 2 reporting 24-months w/activity in last 12-months or 3 reporting 12-months w/recent activity
Assets	<ul style="list-style-type: none"> Min of 30-days asset verification required 	Reserves	<ul style="list-style-type: none"> 2-months of PITIA Loan Amount > \$1.5M: 6-months of PITIA Loan Amount > \$2.5M: 12-months of PITIA Cash out may be used to satisfy requirement
Gift Funds	<ul style="list-style-type: none"> Allowed after min 10% borrower contribution 	Document Age	<ul style="list-style-type: none"> 120-days
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Acceptable Structures include the following: <ul style="list-style-type: none"> Fixed percentage of no less than 3% Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) Six (6) months of interest on prepayments that exceed 20% of the original principal balance in a given 12-month time period. 		
Escrows	<ul style="list-style-type: none"> Escrows may be waived, see Section 2.4.5 – Escrow/Impounds for requirements 		