Non-QM Underwriting Guidelines

1. General Requirements

1.1. Conformance with these Underwriting Guidelines and Policies and Procedures Required

If not addressed, follow FHLMC / FHLMC guidelines with the exceptions noted in the Program Matrices.

1.1.1. Ability to Repay Required

All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors based on available information in the mortgage loan file using reliable third-party records:

- Income or assets used to repay the loan
- Employment status
- Monthly mortgage payment on the subject loan (fully indexed, fully amortizing)
- Monthly payments for any simultaneous loans secured by the subject property
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents
- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations
- Monthly DTI or residual income
- Credit history

If a loan is originated solely for business purposes, and is secured by an investment property, then it is not required to evaluate the Borrowers' ability to repay, and an attestation regarding the Borrowers' ability to repay is not required from the borrower(s).

1.2. Net Tangible Benefit to the Borrowers Required

The loan must provide a net tangible benefit to the Borrower(s). A tangible benefit may include:

a. financing the acquisition of a property
b. reducing the cash expenditure required to service an existing mortgage
c. lowering the interest rate of an existing mortgage
d. extending the period during which the interest rate on an existing mortgage is fixed
e. extending the term of an existing mortgage and obtaining additional cash proceeds through a cash-out refinance.

For a loan to be eligible, the tangible benefit provided to the Borrower(s) by the loan must exceed the Borrowers' cost to acquire the loan.

1.3. Compliance with ECOA Required

All requirements of the Equal Credit Opportunity Act must be adhered to. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the Borrower has the capacity to enter into a binding contract), receipt of public assistance, or because the Borrower has in good faith exercised any right under the Consumer Credit Protection Act.

1.4. State and Federal High-Cost Loans

Best Capital Funding does not originate loans that are subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA) also known as federal high cost mortgages.

1.5. Fair Lending Statement

Best Capital Funding operates in accordance with the provisions of the Fair Housing Act and Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status.

1.6. Prepayment Penalties

Loan with prepayment penalties are not allowed, with the exception of loans secured by investment properties under the Non-QM Product as long as they are not prohibited by state law.

Investment Property Only

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- 5% fixed percentage - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.
- Declining structures (5%/4%/3%/3%/3%) that do not exceed 5% and do not drop below 3%.

For example:

12M PPP: 3% in year one

24M PPP: 3% in year one and 3% in year two

36M PPP: 3% in year one, 3% in year two, and 3% in year three

48M PPP: 4% in year one, 3% in year two, 3% in year three, and 3% in year four 60M PPP: 5% in year one, 4% in year two, 3% in year three, 3% in year four, and 3% in year five

The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

Curtailments may not exceed 20% of the original principal balance in a given 12-month time period. (Not eligible under cross-collateral)

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider

The following state restrictions apply:

- Prepayment penalties are not allowed in MI, MN, NM and OH.
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ.
- Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2021 the amount is $263,975.

1.7. Escrows

Escrow funds/impound accounts are required to be established for all HPML loans. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, water/sewer taxes and ground rents.

Escrow funds/impound accounts can be waived, with the exception of Flood Insurance Premium, for non-HPML loans or exempt business purpose loans when the following requirements are met:

- LTV less than 80%
- Minimum decision credit score of 720
- Minimum 12-months of reserves
- Pricing adjustment may apply, see rate sheet.

1.8. Underwriting Guidelines Amendable at Best Capital Funding's Option

2. Eligible Products

Product	Qualifying Rate	Term	I/O Term	Amortization Term	Index	Caps
15 Year Fixed	Note Rate	180	NA	180	NA	NA
30 Year Fixed	Note Rate	360	NA	360	NA	NA

30 Year Fixed I/O	Note Rate	360	120	240	NA	NA
40 Year Fixed I/O	Note Rate	480	120	360	NA	NA

2.1. Qualifying Payment

The qualifying payment is based upon the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, any other insurance, and any association dues.

For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period. Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest only payment (ITIA).

2.2. Interest-Only Restrictions

Prime Ascent	Credit Ascent	Investor Advantage	Foreign National
All Occupancy	**All Occupancy**	**Investment**	**2nd Home & Investment**
Minimum Credit Score: 660	Minimum Credit Score: 660	Minimum Credit Score: 660	Eligible – No Restrictions
Maximum LTV/CLTV: 90%	Maximum LTV/CLTV: 90%	Maximum LTV/CLTV: 80%	

2.3. Loan Amounts

- Minimum - Refer to the Program Matrix
- Maximum – Refer to the Program Matrix

Refer to the Program Matrix for additional details.

2.4. Minimum Credit Score

- Refer to the Program Matrix for additional details.

3. Program Eligibility

3.1. Age of Document Requirements

3.1.1. Credit Documentation

The following documents may not be more than 90 days old as of the Note Date

- Income verification / pay stubs
- Mortgage /rental verification
- Asset documents / bank statements
- Credit Report

The following documents may not be more than 120 days old as of the Note Date

- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

3.1.2. Appraisal Documentation

The appraisal must be dated within 360 days of the Note date. Recertification of value required if the report will exceed 120 days of the Note Date.

3.2. Maximum Financed Properties

Maximum exposure is $5,000,000 or 10 financed properties with any single investor.

Unlimited financed properties outside of the concentration risk listed above.

3.3. Property Listed for Sale

For refinanced transactions. properties that were listed for sale must have been taken off the market on or before the Note Date as evidenced by a canceled real estate contract or MLS listing.

For all cash-out refinances, properties previously listed for sale must be seasoned at least six months from the listing contract expiration date to the loan application date. For investment properties, a listing expiration of less than six months is permitted with a prepayment penalty.

3.4. Non-Arm's Length Transaction

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 (verification of the Seller's mortgage (VOM)).

3.5. 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.

3.6. Eligible Non-Arm's Length and Interested Party Transactions

- 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.
- Renter(s) purchasing from landlord.
    - 24 months of cancelled checks to prove timely payments are required.
    - A verification of rent (VOR) is not acceptable.
- Purchase between family members.
    - Full Documentation only.
    - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
    - Must provide a 12-month mortgage history on the existing mortgage securing the subject property,
    - confirming the Family Sale is not a foreclosure bailout.

3.7. Non-Arm's Length and Interested Party Restrictions

- Primary residences only.
- Borrower to provide a cancelled check verifying the earnest money deposit.
- Maximum LTV/CLTV of 80%.
- For-Sale-By-Owner (FSBO) transactions must be arm's-length.
- Employer to employee sales or transfers are not allowed.
- Property trades between buyer and Seller are not allowed.

4. <u>Borrowers Eligibility</u>

4.1. Residency

4.1.1. United States Citizen

Eligible without any guideline restrictions.

4.1.2. 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. Permanent Resident Aliens are eligible without guideline restrictions.

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."

4.1.3. 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 must be current. If the visa will expire within six (6) months following the close date, additional documentation is required: evidence that the proper extension steps have been followed per the USCIS website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.
    - When applicable, a valid Employment Authorization Document (EAD) is required for US employment if borrower is not sponsored by a current employer. If the visa will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship. The employer on the loan application must be the same as on the unexpired visa.
    - Eligible Visa Types

Eligible Visa Types						
E-1	E-2	E-3	EB-5	G-1	G-2	G-3
G-4	G-5	H1-B	L-1	NATO	R-1	TN NAFTA

- Guideline Restrictions
    - Maximum LTV/CLTV of 80% using 5.3.5.2 Standard Documentation (24 Months) only.
    - Maximum LTV/CLTV 70% using DSCR Documentation (Investment Only)
    - Non-occupant co-borrowers are not allowed.
    - Gift funds are not allowed.

4.1.4. Foreign National

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

NOT eligible under Prime Ascent or Credit Ascent Program, see separate Foreign National Program Matrices.

4.1.4.1. Foreign Residency

A foreign national borrower must evidence their primary residence for the country issuing their Passport. Foreign National borrowers may **NOT** occupy the subject property as a primary residence.

- A complete loan application (Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.
- The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application e.g., lease agreement, utility bill, financial statement.
- The Best Capital Funding Borrower Contact Consent Form is required.

4.1.4.2. Automatic Payment Authorization (ACH)

Best Capital Funding Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be completed and signed at closing. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

4.1.4.3. Foreign National Program Specific Documentation

The following are required as evidence the borrower is in the U.S legally:

- Copy of the borrowers valid and unexpired passport (including photograph).
  - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94.
  - A valid Employment Authorization Document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer (when applicable for employment in the U.S.). If the visa will expire within six (6) months of loan

application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).
    - Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at Visa Waiver Program. The credit file should be documented with a current print-out of the participating countries, with the borrower's country of origin highlighted.
- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, 0-2, P-1, P-2.
- If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply.
- All parties (Borrower's and Seller's) involved on the transaction must be screened through exclusionary lists and must be cleared through OFAC's SND list. A search of Specially Designated Nationals & Blocked Persons list may be completed via US Department of Treasury: OFAC Search
- Borrowers from OFAC sanctioned countries are ineligible OFAC Sanctioned Countries
- Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at:
  Diplomatic Immunity Search
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention:

  Model Apostille forms can be found on the following link:

  https://www.hcch.net/en/instruments/specialised-sections/apostille

- Power of Attorney (POA) is **NOT** allowed.

4.1.4.4. Qualifying US Credit

For foreign national borrowers with a valid Social Security number, a credit report should be obtained. Requirements found in the Credit Assessment Section of this guide apply.

Restrictions when qualifying with U.S. credit:
- Minimum Credit Score: 680
- Non-Occupant Co-Borrowers not allowed
- Second Home or investment property only

4.1.4.5. Qualifying Foreign Credit

- Foreign national borrowers without qualifying U.S. credit (Including borrowers without a valid Social Security number and borrowers with or without an Individual Tax Identification Number) must provide evidence of two (2) open tradelines reporting for two (2) years with activity in the most recent 12 months. No derogatory credit history is permitted within the 2-year history under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:
  - Tradelines evidenced via a U.S. credit report; AND/OR
  - Tradelines evidenced via international credit report if a U.S. credit report cannot be produced, or does not provide a sufficient number of tradelines; **AND/OR**
  - Alternative Tradelines consisting of two of the following:
    - Credit Reference letter(s) from a verified financial institution in the borrower's country of origin
      - A reference letter must be from an internationally known financial institution.
      - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12-month payment history.
      - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
      - The letter must mention the borrower by name.
      - Name, title & contact information of the person signing the letter must be included.
      - Currency must be converted to U.S. Dollars and signed and dated by certified translator.
      - All documents must be translated into English.
    - Credit Card Statements – minimum of twelve (12) recent credit card statements reflecting a timely payment history.

Restrictions when qualifying with foreign credit:

- Maximum LTV / CLTV: 75%
- Standard Doc (Second Home or Investment)
- DSCR (Investment property only)
- Non-Occupant Co-Borrowers not allowed

4.1.4.6. Housing History

A separate housing history is not required.

4.1.4.7. Foreign National Income

- Borrowers with US sourced income must comply with all **Standard Documentation** guidelines.

- **Foreign National Salaried/Wage Earners qualifying on Non-US income sources must provide:**
    - Paystubs covering a minimum of 30-days (which include YTD income) and one of the following:
        - W-2 equivalent or
        - Two (2) years tax returns from borrower country of origin; OR
    - A letter from employer on company letter head providing current monthly salary, YTD earnings and total earnings for the past 2-years. Letter from employer must be on company letterhead, including address and company web address.
        - Employer to be independently verified (LexisNexis, D&B, Google, other).
        - All docs must be translated by an independent certified translator.
- **Foreign National Self-Employed borrowers qualifying using non-US income sources:**
    - Must be self-employed for a minimum of 2 years evidenced by a letter from the borrower's CPA or local equivalent (the "Accountant") on Accountant letterhead. The letter must include income figures for each of the last 2 years and YTD income. A business license (where required) and organization documents should be provided; **AND**
    - A copy of the accountant's current license is required. The Business & Accountant must be independently verified; and
    - All documents must be translated by an independent certified translator. OR
    - Two (2) years tax returns from the borrower's country of residence, along with a YTD P&L statement.
- Asset Utilization is eligible for Foreign National borrowers. Assets must be seasoned a minimum of three (3) months in a U.S. financial institution. **See Alt Doc - Asset Utilization** for complete requirements.
- Income from countries sanctioned by OFAC is **NOT** allowed.
- Care must be taken in assessing income from a non-US sources. If income is declining or inconsistent, and cannot be isolated to a non-recurring instance, then the lowest annual income should be used

4.1.4.8. Foreign National Assets

Twelve (12) months of reserves are required. Reserves may be reduced to six (6) months with a 5% LTV reduction.

4.1.4.8.1. Assets Held in a Foreign Bank Account

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing.

Documenting Assets Held in Foreign Accounts:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.

- A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required, along with the information to comprise a sixty (60) day chain of funds.
- See Asset Documentation section of this guide for eligible sources and types of assets.

4.1.4.9. Gift Funds

Gift funds are **NOT** allowed on the Foreign National Program.

4.2. Non-Occupant Co-Borrower

Non-occupant borrowers are credit applicants on principal residence transactions who do not occupy the subject property.

- When non-occupant income used a 5% LTV reduction from program maximum required.
- **The Non-occupant borrower's income is limited to Standard Documentation only.**
- Borrower(s) and co-borrower(s) must complete and sign a Non-Occupant Co-Borrower Certification.
- Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).
- Cash out transactions **NOT** allowed.

4.3. First-Time Home Buyers

An individual is to be considered a first-time home buyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- Minimum 680 credit score.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.
- 12-month rental history is required, reflecting 0x30.

4.4. Ineligible Borrowers

- Irrevocable Trust
- Land Trust
- Blind Trust

- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity
- Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

4.5. Borrower Statement of Occupancy

The borrower must acknowledge the intended purpose of the subject property ("Primary Residence", "Second Home", or "Investment") by completing and signing the appropriate sections of the "Occupancy Certification" found in the Occupancy Certification.

Any red flags that may indicate the property is not intended exclusively for investment purposes. Common occupancy red flags include:

- Subject property value exceeds the value of the borrower's primary residence.
- The borrower is currently renting his/her primary residence.
- Subject property could reasonably function as a second home.

4.6. Borrower Statement of Business Purpose (Investment Property)

The borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose form in of this guide. Any loan where the proceeds are used primarily for personal, family, or household purposes is considered a consumer transaction and is **NOT** eligible for the DSCR Investor Advantage Program. This includes cash-out on an investment property when loan proceeds are used for any personal use.

4.7. Borrower Contact Consent Form

Borrowers are required to provide accurate contact information. The Best Capital Funding Borrower Contact Consent Form is required to be completed and signed at closing.

5. Credit Assessment

5.1. Credit Reports

A credit report is required for each individual borrower. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

- 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.

5.1.1. Inquiries

Recent inquiries within 90 days of the credit 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.

DSCR Investor Advantage for business purpose transactions excluded from this requirement.

5.1.2. Gap Credit

A gap credit or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio.

DSCR Investor Advantage for business purpose transactions excluded from this requirement.

5.2. Credit Score

Loan eligibility is based upon a Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. Use the lower of two (2) or middle of (3) credit scores generated to determine the Decision Credit score.

For loan files with multiple borrowers:

Standard and Alt Documentation: The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit Score. When both borrowers are self-employed and jointly own the business, use the lowest Decision Score amongst the borrowers.

Asset Utilization and DSCR Documentation Options: Use the lowest Decision Score amongst all borrowers who will be on the Note and Title.

5.3. Fraud Check

A fraud report including all parties to the transaction; Borrower(s), Seller(s), Broker, Loan Officer, and Real Estate Agent(s) must be included in the credit file. An updated report or documentation must also be included resolving or clearing any red flags (High and Medium Alerts).

A copy of the original report and the updated final report with all red flags (High and Medium Alerts) resolved or cleared.

Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

5.4. Required Mortgage and Housing Payments

A current mortgage/rental history is required for **ALL** Non-QM Products. Current means the borrower has made all mortgage payments due in the month prior to the Note Date. If the credit report does not reflect the current payment history, one of the following additional documents is required:

- A loan payment history from the servicer or third-party verification service,
- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, or
- A verification of mortgage.

For properties owned free and clear, a property profile report or similar document showing no liens against the property should be included in the credit file. Any balloon notes with an expired maturity date exceeding 30 days requires an extension to avoid being counted as delinquent.

If a borrower's mortgage or rental history is not reported on the credit report, a VOM/VOR must be provided. Any VOM/VOR completed by a private-party Seller or any non-institutional lender must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, mortgage/rental statements including payment history, etc.) must be provided. In addition, if the subject transaction is secured by a non-institutional lender, the mortgage payoff statement should be reviewed to determine that no late fees or delinquent interest is included in the payoff amount. A borrower's combined mortgage/rental history is used for program or grade eligibility. For properties owned free and clear, a property profile report or similar document showing no lien against the property should be provided in the credit file.

For the DSCR Investor Advantage Program, refer to the DSCR Investor Advantage Housing History for additional requirements.

5.4.1. Borrower's Living Rent-Free

Borrowers who live rent-free or without a complete 12-month housing history are allowed, with the following restrictions:

- DTI may not exceed 43%
- Any available portion of a 12-month housing history must be paid as agreed.
- Borrower(s) who own their primary residence free and clear aren't considered living rent-free.
- Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free.

5.5. Departure Residence

- If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with the following:
    - The executed sales contract for the current residence, and

    - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with all the following:
    - Market Rent Analysis, Single Family Comparable Rent Schedule (Fannie Mae® Form 1007)
    - Copy of a current lease
    - Evidence of proof of receipt of damage deposit and first month's rent.

5.6. Tradeline Requirements

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

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

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history for at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred

The following are NOT acceptable to be counted as tradelines:

- "non-traditional" credit as defined by Fannie Mae®
- self-reported tradeline
- accounts discharged through bankruptcy
- authorized user accounts
- charge-offs
- any liabilities in deferment status
- collection accounts
- foreclosures
- deed-in-lieu of foreclosure
- short sales
- pre-foreclosure sales

5.7. Disputed Accounts

When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved. If the disputed account balance is $250 or less, the payment can be included in the total debt calculation and the account can remain in dispute. The total aggregate balance of accounts in dispute remaining unresolved can't exceed $2,000.

5.8. Bankruptcy History

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. Specific programs may have longer periods, see Program Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

5.9. Foreclosure Seasoning

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Program Matrices for details. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

5.10. Short Sale / Deed-In-Lieu Seasoning

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Program Matrices for details.

In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.

5.11. Forbearance, Modification and Deferrals

Forbearance, loan modifications, or deferrals are treated as a short sale / deed-in-lieu for eligibility and pricing purposes. Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.

Forbearance, loan modifications, or deferrals are treated as a short sale / deed-in-lieu for eligibility and pricing purposes. Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.

A recent forbearance, due to COVID-19, may be eligible based upon the following:

- Borrower(s) who entered into a forbearance plan but continued to make timely payments and remained employed without income disruption, are eligible without any restrictions.
- Borrower(s) who entered a forbearance plan with missed payments. Eligible if a minimum of three (3) timely payments made since the forbearance period expired and the borrower exited forbearance.
- Payments must be documented by canceled checks or bank statements.
- Any deferred/postponed payments are considered missed payments.
- If a property under a forbearance plan is sold, each missed payment is counted as a 30-day late to determine program eligibility.

- Income must have been re-established at the time payments commenced and remained consistent since.

6. Income Assessment

The following apply to all income documentation options unless otherwise noted in the specific section of the guidelines.

6.1. Income Worksheet

The loan file must include an income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/loss details for each business separately, not in aggregate.

6.2. Employment and Income Verification

- A minimum two (2) year employment history is required to be documented on the loan application (1003). When the borrower has less than a two-year history of employment, the Seller should document positive factors to offset the shorter employment history, such as education or training.
- Any gaps in employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
  - Sole proprietorship
  - Limit Liability Company (LLC)
  - Partnerships
  - S-Corporation
  - Corporation

6.3. Stability of Income

- Stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three (3) years. The Seller must determine that both the source and the amount of the income are stable.
- A two-year employment history is required for the income to be considered stable and used for qualifying.
- When the borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the stability of the income used to qualify the borrower.
- While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.

6.4. Earnings Trend

Year-to-date (YTD) income amounts must be compared to prior years' earnings using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- Stable or increasing: The income amounts should be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income should be used.
- Declining: If the trend is declining, the income is **NOT** eligible.

6.5. Debt-To-Income Ratio

The DTI ratio consists of two components:

- Total monthly debt obligations, which includes the qualifying payment for the subject property mortgage loan and other long-term and significant short-term monthly debts.
- Total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage.

  The subject property mortgage loan is defined as the borrower's housing payment and includes PITIA and/or principal and interest on any subordinate lien financing.

  The property taxes, Homeowner's Insurance (HOI), Flood Insurance, and HOA dues of a primary residence that is owned free and clear will be considered in the borrower's housing history determination and must remain current throughout the transaction.

  The maximum DTI ratio for all income documentation types is 50%.

See the most recent Program Matrix for applicable details.

6.6. Residual Income

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations.

Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below; **$250 is added for the first dependent and $125 for each additional dependent.**

Occupancy	Maximum LTV	Minimum Residual Income
Prime Ascent – Primary	90%	$2500
Credit Ascent – Primary	90%	$1250
Prime Ascent – DTI > 50%	80%	$3500

6.7. Documentation Options

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard documentation includes various other types of income. See Other Sources of Income for documentation requirements. Income should be calculated and documented according to the Income Assessment Section. If a specific source of income is not referenced in the guide, the FHLMC / FNMA guidelines for that income source may be used. The income worksheet should be included and delivered as part of the credit file.

6.8. IRS Form 4506-C

A signed copy of IRS Form 4506-C is required in every standard documentation credit file. See specific income documentation type if transcripts are required.

If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of “Unable to Process” or “Limitation”.
- Proof of identification theft, as evidenced by one (1) of the following:
  - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039).
  - A copy of the notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s personal tax return (Form 1040). Validation of prior tax year’s income (The income for the current year must be in line with prior years.

A signed 4506-C is **NOT** required on the DSCR Investor Advantage Program.

6.9. Taxpayer First Act

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. “Tax return information” is defined under the IRS Code, 26 U.S.C. § 6103.

To ensure compliance with the law, the Taxpayer Consent Form has been created to ensure compliance with all loan files that include tax returns.

6.10. Standard Documentation

The Standard Income Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

6.10.1. Standard Documentation (24 or 12 months)

- Eligibility and pricing differences exist for the 24 or 12-month documentation options, see Loan/LTV Matrices and rate sheets for details.
- A minimum two (2) year employment history is required to be documented on the loan application (1003).
- When tax returns are required, as in the case of investment property ownership, the most recent one or two years of returns should be provided. The definition of "most recent" is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two (2) years of tax returns.
- **For wage or salaried borrowers, the following are required:**
    - The borrower's most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected.
    - A verbal Verification of Employment (VOE) from current employer, may not be dated more than 10-calendar days prior to closing date. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name, and current employment status may be used in lieu of a verbal VOE.
- **For self-employed borrowers, the following are required:**
    - Any borrower with a 25 percent or greater ownership interest in a business is considered self-employed.
    - The most recent one (1) or two (2) years of tax returns or transcripts, personal and business if applicable (including all K-1s and schedules), signed and dated by each borrower. In certain cases, tax returns will be required as transcripts will not provide the detail required to qualify the borrower.
    - If the borrower pays themselves wage income, a YTD paystub must be included in the file.
    - A YTD Profit and Loss Statement (P&L), up to and including the most recent month preceding the loan application date and two business checking account statements for the two most recent months reflected on the P&L. The P&L may be either: prepared by a 3rd party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the priors' years tax returns.

6.10.2. Standard Documentation Restrictions

- See the Program Matrices for maximum LTV/CLTV and DTI.
- A minimum credit score of 580.
- The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees actually

return to work, they are unable to provide evidence of stable and reliable employment related income.

6.11. Other Sources of Income

6.11.1. Alimony or Child Support

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:

- Copy of final divorce decree or final separation agreement describing the payment terms.
- Any other type of written legal agreement or court decree describing the payment terms.

6.11.2. Auto Allowance

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

6.11.3. Capital Gains

Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D.
- Third-party documentation to evidence that additional assets may be sold to support the qualifying income.
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

Capital losses do not have to be considered.

6.11.4. Disability Income – Long Term

Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- eligibility for the benefits,
- amount and frequency of payments, current proof of receipt,
- and if there is a contractually established termination or modification date.

6.11.5. Employed by a Family Member

Income for borrowers who are employed by a relative must be verified using Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years

- W-2s for the most recent two (2) years
- Paystub(s) covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

6.11.6. Employment Offers or Contracts

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated prior to the Note date.

6.11.7. Foreign Income

Foreign income is income earned by a borrower (US Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income.
- Standard documentation requirements based upon the source and type of income.
- Any documents not in English or US currency must be translated.

6.11.8. Foster Care Income

Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income.
- Document that the borrower has received foster care income for a minimum one-year period.
- Qualifying income is based upon the current amount received.

6.11.9. Housing / Parsonage Income

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns are required.
- Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained.
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may **NOT** be used to offset the monthly housing payment.

6.11.10. Interest and Dividend Income

Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the Age of Document Requirements.

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
- Develop an average of the income received for the most recent two (2) years.
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

6.11.11. Notes Receivable Income

Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12 months using either cancelled checks, bank statements, or federal tax returns.
- Payments on a Note executed within the past 12 months, regardless of the duration, may **NOT** be used as stable income.

6.11.12. Pension, Retirement and Annuity

If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage Note. In addition, the borrower must have unrestricted access to the accounts without penalty.

6.11.12.1. Pension, Social Security, VA Benefit Income

Document regular and continued receipt of the income with the following:

- Award letter(s) from the organizations providing the income,
- Two prior years 1099-R will be acceptable in lieu of award letter,
- 30-days current proof of receipt

6.11.12.2. 401K, Keogh, IRA Income

Document regular and continued receipt of the income with the following:

- Account Statement(s) reflecting available balance for withdrawals.
- Two prior years 1099-R forms,
- One-month proof of current receipt.

- Income will be averaged based upon withdrawals over the past 24-months.

6.11.13. Rental Income

Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required.
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired.
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying.
- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial
- Application of Rental Income:
  - Primary Residence
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - Investment Property
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
    - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

6.11.14. Restricted Stock Units (RSU)

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years and will continue.
- RSU income is calculated using the past two (2) year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.
- RSU income must be likely to continue.
- Borrower must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves.

The following documentation is required:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income.
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
  - Tax returns for the last two (2) years, reflecting RSU income.
  - Year-end paystubs reflecting the RSU payout.
  - An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

6.11.15. Royalty Income

Obtain copies of the following:

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
- The borrower's most recent signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

6.11.16. Teacher Income

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

6.11.17. Tip Income

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for at least two (2) years and documented through the most recent year-to-date paystubs and federal income tax returns for the most recent two (2) years. Income should be averaged over the time-period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

6.11.18. Trust Income

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:

- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
- If the borrower creates the trust as trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements). Income will be calculated using asset utilization methodology.
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

6.11.19. Unemployment Benefit Income

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

6.11.20. VA Benefits

Document the borrower's receipt of Veteran Administration (VA) benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because they are offset by education expenses.

6.11.21. Variable (Overtime, Bonus, Commission)

Variable earnings must be averaged over the most recent two (2) years and documented with the following:

- Most recent year-to-date pay stub reflecting the variable earnings;

- W-2 forms covering the most recent 2-year pay period;
- A completed Written Verification of Employment – FNMA Form 1005 detailing base, overtime, commission, or bonus earnings.

Variable income earned less than two years may be considered with a minimum 2-year history of receiving variable in the same line of work. Variable income earned for less than one year may **NOT** be used for qualifying income.

6.11.22. Ineligible Income Sources

- Boarder income
- Educational benefits
- Gambling winnings
- Illegal income
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes

6.12. Alt Doc Bank Statements

Bank statements may be obtained from the borrower. Income documented through the Alt Doc program method may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Alt Doc, a tax return is **NOT** required for the full income documentation, as this would invalidate the bank statements. The 4506-C form is still required; however, Box 8 should be checked to obtain a transcript of W-2 earnings.

6.12.1. Restrictions

24 or 12 Month Bank Statements

- See the Program Matrices for maximum LTV and DTI.
- A minimum two (2) year self-employment history is required to be documented on the loan application (1003). **Borrowers must be self-employed for at least two (2) years.**
- A business must be in existence for a minimum of two (2) years.
- Minimum credit score is 580.
- Nonprofit Entity **NOT** eligible

6.12.2. Alt Documentation

Tax returns and 4506-C are **NOT** required for the program

Alt Documentation – Personal Bank Statements	
Account reflecting personal income and expenses.	Most recent 24 or 12 months of **PERSONAL** bank statements.
	Most recent two (2) months of **BUSINESS** bank statements.
	Verify that the borrower owns 20% of the business by providing one of the following:

	• CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.
Alt Documentation – Business Accounts or Co-mingled	
Account in the name of the business reflecting only business income and expenses.	Non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and verifying the borrower's access to the account for income calculations.
	Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.
	Verify that the borrower owns 50% of the business by providing one of the following: • CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.
	The expense analysis method should be reasonable for the type of business being reviewed.
	Co-mingled Only: Verify that the borrower is 100% owner of the business (Borrower and spouse with combined 100% ownership eligible).
	Alt Doc – 24 or 12-month Bank Statement options. Three (3) options exist to analyze Business Bank Statements:
Option 1 – Fixed Expense Ratio (50%)	**24** or **12** months of business bank statements covering the most recent time period.
	A business narrative provided by the borrower's business (See Self-Employed Business Narrative Form) which includes details regarding the industry, size, and operating profile of the business, addressing location/rent, number of employees/contractors, COGS, and physical assets such as trucks/equipment (owned or leased).
	The business narrative form is to be completed by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: • Controller, Treasurer, V.P. Finance, Finance Manager, or Accounting Manager. • This form can also be completed by a third-party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent.
Option 2 - Business Expense Statement Letter	**24** or **12** months of business bank statements covering the most recent time period **AND**;
	An expense statement specifying business expenses (minimum expense ratio is 10%) as a percent of the gross annual sales/revenue, prepared and signed by either a CPA/accountant, IRS Enrolled Agent, or tax preparer; **AND**

	Credit file must contain documentation showing evidence of the preparers business.
Option 3 – 24 or 12 Month Third Party Prepared P&L Statement	**24** or **12** months of business bank statements covering the most recent time period and matching the time-period covered by the P&L **AND**;
	P&L covering 24 or 12 months, matching the number of bank statements, prepared, and signed by either a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer; **AND**
	Credit file must contain documentation showing evidence of the preparers business.

6.12.3. Alt Documentation Income Analysis

In addition to the factors described in the Income Analysis section of this guide, the following must be considered:

- Expenses must be reasonable for the type of business.
- Deposits should be reviewed for consistency.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of a large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but co-mingled, must be backed out of deposits.

Personal Bank Statement Review	
○ Income calculated using total deposits, minus any inconsistent or large deposits not justified. Qualifying income based upon the total eligible deposits from the 24 month or most recent 12 months of statements divided by the number of statements. The most recent bank statement must be consistent with the qualifying income. ○ ATM deposits may be included if a consistent pattern of such deposits is present. ○ Two (2) months of business bank statements are required. ○ They must evidence activity to support business operations. ○ They must reflect transfers to the personal account.	
Alt Documentation – Business Accounts or Co-mingled	
The Best Capital Funding Business Bank Statement Calculator is available for download from the Best Capital Funding website: www.BestCapFunding/Wholesale-Forms	
Option 1 – Fixed Expense Ratio (50%)	• Businesses within an industry that experience higher expense ratios are not eligible for the 50% Margin method and must utilize another option. Higher expense ratio industries include, but are not limited to the following: ○ Construction ○ Manufacturing ○ Retail and Wholesale Trade ○ Hospitality, Food and Beverage Services ○ Transportation

	The Self-Employed Business Narrative Form should be used to determine if the borrower's business is eligible for this option.
	Determining Qualifying Income
	Qualifying income is the lower of: o total deposits from the bank statements, minus any inconsistent deposits, multiplied by 50% Profit Margin, multiplied by ownership percentage, divided by the number of bank statements reviewed, or o if 24 months of statements reviewed, total deposits from the most recent 12 months of bank statements, minus any inconsistent deposits, multiplied by 50% Profit Margin, multiplied by ownership percentage, divided by 12.
	The deposits from the most recent bank statement must be consistent with the qualifying income.
Option 2 - Business Expense Statement Letter	Net Income is determined by the total deposits (minus any inconsistent deposits) reflected on the bank statements, less total expenses. Total expenses are calculated by multiplying the total deposits by the expense factor provided by a CPA/accountant, IRS Enrolled Agent, or tax preparer (subject to a minimum total expense percentage of 10%). Qualifying income is the lower of: o for the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or o for both the 24 or 12 month statement option, the net income based upon the most recent 12months of bank statements.
	The most recent bank statement must be consistent with the qualifying income.
	Expenses must be reasonable for the type of business.
Option 3 – 24 or 12 Month Third Party Prepared P&L Statement	P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 15% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of: o the Net Income indicated on the P&L divided by the number of statements (24 or 12), o total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).
	For the 24-month option, the average total deposits from the most recent 12-month time period must be consistent with the average total deposits from months 13-24. If the deposit trend is declining, a business narrative and explanation is required to determine if the loan meets the stable income definition in Earnings Trend.

6.12.4. Alt Documentation Income Analysis

Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that
  - the line's credit limit was not exceeded during the statement period of the transfer, and
  - a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
- Occurrences included in the analysis are subject to the following tolerances:
- An occurrence is defined as one or more checks returned the same day.
- If there are one (1) or more occurrences in the most recent two-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
- If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

6.13. Alt Doc Rental Income

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

Long Term Rental:

- A copy of the lease(s) for the rental property.
- Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
  - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
  - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.

Short Term Rental:

- Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.
- Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property.
  - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
- A screen shot of the online listing must show the property(s) activity marketed as a short-term rental

Alt Doc Written Verification of Employment **NOT** eligible to use the above rental income documentation.

6.14. Alt Doc Profit & Loss with 2 Months Bank Statements

Profit & Loss statement prepared by a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), or CTEC. The credit file must contain documentation showing the CPA is currently licensed in their state, the EA is currently active (Screen shot of the IRS web site) or the CTEC is active (Screen shot from CTEC web site).

24 or 12-Month CPA or EA compiled P&L Statement

- 24 or 12-month (P&L) dated within 30-days of the loan application, and
- The preparer must attest they have prepared the borrower's most recent tax return; and
- A minimum 2-months of business bank statements covering the most recent 2-month period.

The 2-months of business bank statements must support the sales reflected on the Profit and Loss Statement prepared by either a CPA or EA. The average deposits from the bank statements must be greater than, or no less than, 15% below the average monthly sales. In the event the 15% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met. The qualifying income is the net income from the P&L divided by the time period covered (24 or 12-months).

6.15. Alt Doc CPA/EA Profit & Loss Only

Profit & Loss statement prepared by a Certified Public Accountant (CPA), or an IRS Enrolled Agent (EA). The credit file must contain documentation showing the CPA is currently licensed in their state or the EA is currently active (Screen shot of the IRS web site).

24 or 12-Month CPA or EA compiled P&L Statement

- 24 or 12-month (P&L) prepared/complied and signed by a CPA (proof of CPA current state license required or EA (proof EA currently active on IRS web site) dated within 30-days of the loan application, **AND**

- The preparer must attest they have prepared the borrower's most recent tax return.
- Qualifying income is the net income from the P&L divided by the time period covered (24 or 12-months).

6.16. Alt Doc IRS Form 1099 Only

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
  - One of the following Business expense analysis methods:
    - 90% Net Margin (10% Expense Factor)
    - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer)
- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
  - Checks or a single check stub(s) with YTD totals if available, or
  - Bank statements (YTD).
    - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.
- The Alt Doc Loan/LTV matrix should be utilized, see the Program Matrices.

6.17. Alt Doc Asset Utilization

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under qualification method are waived.

6.17.1. Restrictions

- See Program Matrices for the max LTV
- Non-occupant co-borrowers **NOT** allowed
- Max 43% DTI
- Minimum 680 credit score
- Gift funds **NOT** eligible

6.17.2. Asset Utilization Qualification Method

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of $1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84. Maximum DTI 43%.

6.17.3. Asset Utilization Income Documentation

- All individuals listed on the asset account(s) must be on the Note and Mortgage;

- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;
- Assets must be seasoned 120-days;
- Income other than Asset Utilization must be documented in accordance with the Prime Ascent program.

6.17.4. Asset Eligible for Depletion

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

- 100% of Checking, Savings, and Money Market Accounts;
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.

6.17.5. Asset Ineligible for Depletion

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation;
- Any assets held in the name of a business.

6.18. Debt Service Coverage Ratio – Investor Advantage

For Debt Service Coverage documentation, property income is used to qualify the transaction. Debt Service Coverage is available to experienced investors purchasing or refinancing investment properties for business purposes. The borrower is required to sign a **Borrower Certification of Business Purpose** and an **Occupancy Certification.**

6.18.1. 1-4 Family Residential Property

Property Income Analysis

Gross rents are utilized in the DSCR Investor Advantage calculation. Gross rents are the lower of the actual rents from lease agreement(s) or long-term market rents from either FHLMC Form 1000 / FNMA Form 1007 or FHLMC Form 72 / FNMA Form 1025 in the case of a multi-family property. If the lease agreement reflects higher rents than the Form 1007, the lease amount may be used for gross rents if two (2) months' proof of receipt is verified.

6.18.2. Debt Service Coverage Ratio

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA of the subject property. See the Program Matrix for required Debt Service Coverage Ratios (DSCR).

Example

Single Family Purchase Money Transaction
Monthly PITIA = $650
Estimated Monthly Market Rent (FHLMC Form 1000 / FNMA Form 1007) = **$850**
Existing Lease Monthly Rent = Not Available
Use Market Rent of $850 (***Estimated Monthly Market Rent when a lease is not available for a purchase transaction).***

Gross Rents **($850)** ÷ PITIA **($650)** = DSCR **(1.30)**

6.18.3. Gross Rent Documentation Requirements

6.18.3.1. Purchase

- FHLMC Form 1000 / FNMA Form 1007, if applicable
- Existing lease agreement(s), if applicable.
    - If the existing lease is being transferred to the borrower, it must be verified that it does not contain any provisions that could affect the first lien position of the subject property.

6.18.3.2. Refinance

- FHLMC Form 1000 / FNMA Form 1007, if applicable
- If subject property leased on a short-term basis utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction required when using short term rental income to qualify.
- If any unit is unleased or vacant, as reflected on the appraisal report, a 5% LTV reduction is required.

6.18.4. Borrower Experience

6.18.4.1. Experienced Investor

A borrower who has owned two (2) or more properties for at least 12 months (primary, investment, or commercial properties can be included) during the most recent thirty-six (36) month period. One (1) of the properties must be currently producing income, with the borrower having experience collecting rental income. The rental income can be documented with one of the following:

- Two (2) mortgage tradelines reported on the credit report or VOM, reflecting 0x30x12 history; or

- A copy of the most recent lease(s) with two (2) months' proof of receipt. Verification of the minimum number of properties for an experienced investor is required.

6.18.4.2. First-Time Investor

A borrower that does not meet the Experienced Investor criteria. First Time Investors must have owned a property for twelve (12) months anytime during the past thirty-six (36) months. In addition, the following restrictions apply to First-time investors:

- Minimum credit score: 680
- Maximum LTV: 75%
- No mortgage late payments
- Minimum of 36-months seasoning from any credit event
- Cash-out transactions NOT eligible

6.18.5. DSCR Investor Advantage Restrictions

- See the Program Matrix for the maximum LTV/CLTV.
- If the loan amount is < $150,000 the minimum DSCR is 1.50.
- DSCR < 1.00 requires an additional 6 months reserves on the subject property
- Minimum credit score of 600.
- No rural properties maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented per – Asset Documentation
- Recent late payments on all consumer debt may not exceed 1X60 over the prior 12 months.
- Cash-out transactions **NOT** eligible

6.18.6. DSCR Investor Advantage Housing History

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The requirements under Required Mortgage and Housing Payments should be followed for verification.

6.18.7. Borrower Income

- No proof of borrower income is required.
- The employment section of the FHLMC Form 65 / FNMA Form 1003 loan application should be completed, including a valid phone number. No further verification is required.

6.18.8. Default Event

If a loan payment is delinquent for 60 days, Best Capital Funding's loan servicer will enforce the following provision from the 1-4 Family Rider (Fannie Mae® Form 3170): Paragraph "G" - Assignment of Leases.

6.18.9. 5-8 Family Residential Property and 2-8 Mixed Use Property

6.18.9.1. Property Income Analysis

- Minimum DSCR >= 1.00
- DSCR = Eligible monthly rents/PITIA
- Leased - Use lower of Estimated market rent or lease agreement.
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties: 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.

6.18.9.2. Borrower Experience

- Experienced Investors only, borrower must have a history of owning and managing commercial or residential real estate for at least 1 year in last 3 years.
- First-time investors **NOT** eligible.

6.18.9.3. Eligible Properties

- Residential 5 – 8 Units
- Mixed use 2 – 8 Units (Residential with Retail/Office)
    - 2-3 Units: Max 1 commercial Unit
    - 4-5 Units: Max 2 commercial Units
    - 6-8 Units: Max 3 commercial Units
- Unleased Units
    - Maximum 1-unit on 2-3 unit property
    - Maximum 2-units on 4+ unit property

6.19. Debt Service Coverage Ratio – Cross Collateral

The term cross collateral loan refers to a single mortgage that covers three (3) or more properties. The properties are held together as collateral on the mortgage, but the individual pieces of real estate may be sold without extinguishing the entire mortgage. Traditional mortgages typically have a "due-on-sale clause", which stipulates that if property secured by the mortgage is sold, the entire outstanding mortgage debt must be paid in full immediately. With a cross collateral mortgage, a partial release clause allows the sale of portions of the secured property and corresponding partial repayment of the loan. This is done to facilitate purchases and sales of multiple units of property with the convenience of a single mortgage.

6.19.1. Eligibility Requirements

- **Cross Collateral Workbook** to be completed.
- DSCR: A Loan DSCR and Property DSCR is required to be calculated.
- Loan DSCR:
    - Minimum loan DSCR is 1.20

- Loan DSCR is calculated as follows:
  - Total of gross rental income for all properties/loan PITIA
- Property DSCR:
  - Minimum DSCR requirements for each property:
    - Amortizing payment – 1.00
    - Interest Only – 1.20
  - Property DSCR is calculated as follows:
    - Rental income per property/Allocated loan amount PITIA
- Partial Release: 120% of the allocated balance required to be paid to obtain a partial release.
- Prepayment Penalties: Required subject to State eligibility restrictions.
  - The prepayment penalty is assessed when:
    - The loan prepays in full during the prepay period; or
    - A partial release payment is made during the prepay period. The prepay penalty amount is based upon the release price.
  - Acceptable structures include the following:
    - 5% fixed up to 5-years
    - 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%)
- Cash Out Seasoning – See Cash-out Refinance Section
- Eligible Borrower Types: Vesting permitted as follows:
  - Individual(s): U.S. Citizen or Permanent Resident - See Residency Section
  - Entities: Limited Liability Company, Partnership, or Corporation - See Title Vesting and Ownership Section
  - Foreign Nationals - See Foreign National Section

6.19.2. Appraisal Requirements

- 1-4 Units
  - See Appraisal Requirements for 1-4 Unit Residential for complete criteria.
  - Review product required: Clear Capital CDA required
- 5-8 Units
  - See Appraisal Requirements for 5-8 Unit Residential. Value based upon sales approach.
  - The following attachments required for 5-8 Residential
    - Rent Roll
    - Income and Expense Statement
    - Photos of subject including exterior/interior and street scene
    - Aerial photo
    - Sketch or floor plan of typical units
    - Map
    - Plot plan or survey
    - Appraiser qualifications
  - Review Products: **Commercial BPO based upon sales approach**

6.19.3. Property Rental Income

- Leased property: DSCR is based upon the contracted monthly rent amount from the lease

- A property is considered Leased" when there is an executed long term (Min 12-months) lease agreement between the lessor and lessee.
- Most recent two months of rent payment per lease agreement is required.

- Unleased and vacant property: DSCR is based upon the estimate of the monthly rent of the subject. The final reconciliation of Market Rent must be based on a 12-month rent schedule.
  - A property is considered unleased and vacant when no long term executed lease is in place. The Borrower should provide the cause of vacancy (Letter of Explanation) for refinance and cash-out transactions, such as recently completed renovation, tenant turnover, etc.
- Vacancies
  - 1-4 Units – Vacant unit qualify at 75% of market rent (Maximum 1 vacancy)
  - 5-8 Units - Vacant units qualify at 75% market rents (Maximum 2 Vacancies)

6.19.4. Eligible Tenant

- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the properties.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the
- borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding.
- Borrower(s) must attest that all tenants are non-borrower affiliated.

6.19.5. Lease and Occupancy Requirements

- All units must be residential units that are currently occupied and leased to tenants, except that up to 10% of the units for a loan may be comprised of units which are currently vacant, but in lease-ready condition.
- Notwithstanding the foregoing, for portfolios of less than 10 units, up to one (1) unit may be vacant in the normal course of lease turnover.
- All properties must be either leased to an eligible tenant or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease Agreements that allow Single Room Occupancy (SRO), or boarder leases are not permitted.
- Third-party sale-and-leaseback agreements and contract for deed transactions will not be permitted.
- Leases must be in U.S. dollars.

6.19.6. Multi-Family Property

- 5–8-unit properties require trailing 12-month operating statements and the most recent fiscal year-end historical operating statement (if available).

- 5–8-unit properties may not exceed:
    - 25% of total property count or
    - 25% of allocated loan balance

7. Liability Assessment

7.1. Installment Debt

Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

7.1.1. The DSCR Investor Advantage Program does not require the review of liabilities in the calculation of a Debt-to-Income Ratio, rather the loan is qualified on the DSCR as referenced in the Debt Service Coverage Ratio Section.

7.2. Lease Payments

Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

7.3. Student Loans

If a monthly student loan payment is provided on the credit report, that amount may be used for qualifying purposes. If the credit report does not reflect the correct monthly payment, the monthly payment that is on the student loan documentation may be used (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, it must be determined what the monthly payment is in order to qualify the borrower. For deferred loans or loans in forbearance, the payment may be calculated as follows:

- a payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), **OR**
- a fully amortizing payment using the documented loan repayment terms.

7.4. Deferred Installment Debt

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters, or forbearance agreements must be obtained so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

7.5. Revolving Debt

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI ratio calculation.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, 5% of the outstanding balance must be used to be included in the DTI ratio calculation.

Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

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

7.6. Timeshares

Timeshare obligations will be treated as a consumer installment loan.

7.7. Business Debt

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of cancelled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

7.8. Contingent Liability

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If proof is obtained that the borrower is not the party who is repaying the debt, debt may be excluded. In order to exclude debts from the borrower's DTI ratio, the most recent 12 months' canceled checks (or bank statements) must be obtained from the other party making the payments that document a 12-month payment history with no delinquent payments.

7.9. Consumer Credit Charge-offs and Collections

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250, and accounts that total more than $2,000, must be paid in full prior to or at closing. See below for exception.
- Medical collections may remain open with a max cumulative balance of $10,000.
- A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.

  <u>For DSCR Investor Advantage transactions, charge-offs and collections can be ignored unless title impacted.</u>

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

- Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.

- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

7.10. Consumer Credit Counseling Services (CCCS)

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

7.11. Judgment or Liens

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

7.12. Income Tax Liens

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

7.13. Housing and Mortgage Related Obligations

Housing and mortgage-related obligations include property taxes, insurance 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 on the Schedule of Real Estate Owned (REO) section of the Form 1003 loan application. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

7.14. Current Debt Obligations, Alimony and Child Support

A credit report may be used to verify a borrower's current debt obligations, unless there is 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 FHLMC / FNMA guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower's recurring monthly debt obligations.

Voluntary child support payments **DO NOT** need to be taken into consideration.
Voluntary alimony payments **DO** need to be taken into consideration.

For alimony obligations, the qualifying income can be reduced by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If this option is chosen, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

8. Asset Assessment

The following apply to ALL transactions unless otherwise noted

8.1. Asset Requirements

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90-days of the loan note date.

8.2. Asset Documentation

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
  - Statements must include the following:
    - Name of financial institution
    - Reflect borrower as the account holder (Funds held jointly with a non-borrowing spouse are considered 100% of the borrower's funds)
    - Account number
    - Statement date
    - Time period covered by the statement
    - Available balance in U.S. dollar denomination

- Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either http://www.xe.com or the Wall Street Journal conversion table.
- Verification of Deposit completed by the verifying financial institution (Fannie Mae® Form 1006).

8.3. Large Deposits

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income.

Atypical large deposits do NOT need to be sourced on the DSCR Investor Advantage Program.

8.4. Other Assets

- **Stocks/bonds/mutual funds -** 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets.
- **Business accounts may be considered for assets.** The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- **Cash Value of Life Insurance -** 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
    - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. **Crypto is NOT an eligible liquid asset for Asset Utilization/Depletion.**
        - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
        - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30-days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

8.5. Unacceptable Assets

The following assets are **NOT** acceptable:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances

8.6. Reserves

Refer to the Program Matrix for specific reserve requirements.

The following requirements apply to reserves:

- Net proceeds from a cash-out transaction maybe used to meet reserve requirements.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.

8.7. Gift Funds

Unless otherwise specified, Gift Funds are acceptable if **ONE** of the following applies:

- For Owner-occupied properties a 5% down payment has been made by the borrower from their own funds.
    - 100% Gift Funds are allowed for Prime Ascent and Credit Ascent using Standard Doc or Alt Doc 24-month Bank Statement loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.
- For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.

Gift funds are **NOT** eligible for a Foreign National borrower.

8.7.1. Eligible Donor

A gift can be provided by:

- a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- a fiancé, fiancée, or domestic partner.

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

8.7.2. Gift Documentation Requirements

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- specify the dollar amount of the gift;
- specify the date the funds were transferred;
- include the donor's statement that no repayment is expected; and
- indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

8.7.3. Gift Donor Ability and Transfer of Funds

It must be verified that sufficient funds are to cover the gift are verified either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- a copy of the donor's check and the borrower's deposit slip,
- a copy of the donor's withdrawal slip and the borrower's deposit slip,
- a copy of the donor's check to the closing agent, or
- a settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may **NOT** be used to meet reserve requirements.
- **Gift of Equity allowed for Primary Residence or Second Homes.** Must meet all other guidelines for Gift Funds.

8.8. Subordinate Financing

Secondary financing must be institutional. Sellers must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period.

8.9. Interested Party Contributions

Occupancy	Percent of Purchase Price
Owner Occupied	6% for LTVs <= 80% 4% for LTVs >80%
Non-Owner Occupied	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.

9. Property Assessment

9.1. Appraisal Requirements 1-4 Unit Residential

Appraisers must meet all industry standards and be State Certified. State Licensed Appraisers and Trainees are not permitted. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and FHLMC and FNMA guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value.

The appraisal report must be reviewed for accuracy, completeness, and its assessment of the marketability of the subject property. For guidance in the manual review of an appraisal report, see the Appraisal Review Guide.

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report – FNMA/FHLMC Forms 1004/70
- Small Residential Income Property Report - FNMA/FHLMC Forms 1025/72
- Individual Condominium Unit Appraisal Report - FNMA/FHLMC Forms 1073/465
- Appraisal Update and/or Completion Report - FNMA/FHLMC Forms 1004D/442
- Single Family Comparable Rent Schedule - FNMA/FHLMC Forms 1007/1000

When an appraisal report will be more than 120 days old on the date of the Note Date, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D).

- If the appraiser indicates on the Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.

- If the appraiser indicates on the Form 1004D that the property value has **NOT** declined, then the seller may proceed with the loan in process without requiring any additional fieldwork.

Properties for which the appraisal indicates condition ratings of **C5** or **C6**, or a quality rating of **Q6**, as determined under the Uniform Appraisal Dataset (UAD) guidelines. Best Capital Funding will originate loans if the issue has been corrected prior to loan funding and with proper documentation.

9.1.1. Second Appraisal

A second appraisal is required when any of the following conditions exist:

- The loan balance exceeds $1,500,000
    - (2nd appraisal not required when Form 71A Multifamily or a commercial narrative report utilized).
- 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.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

9.2. Appraisal Evaluation

9.2.1. Neighborhood Analysis

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible - e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

9.2.2. Existing Construction

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is." These items must be reflected in the appraiser's opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or

inadequate electrical service or plumbing fixtures. In such cases, a certificate of completion must be obtained from the appraiser before the loan closes.

9.2.3. Subject Section

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12 months prior to the effective date of the appraisal. If the answer is 'No,' the data source(s) used must be provided. If the answer is 'Yes,' the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s)
- Offering date(s)
- Data source(s) used
- For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

9.2.4. Actual and Effective Ages

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, particular attention should be paid to the condition of the subject property in the review of the appraisal report. When the appraiser adjusts for the "Year Built," he or she must explain those adjustments.

9.2.5. Accessory Units

Properties with a one-unit property with an accessory unit are eligible with Best Capital Funding. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property.
- There is only one accessory unit on the property; multiple accessory units are not permitted.
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.

- The borrower qualifies for the mortgage without considering any rental income from the accessory unit.

9.2.6. Outbuildings

Properties with outbuildings must be given special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

Type of Building	Suitability
Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property	The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.
An atypical minimal building	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals	The presence of the outbuildings may indicate that the property is agricultural in nature. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

9.2.7. Transfer of Appraisals

To transfer an appraisal, a transfer letter must be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. Appraisal transfer letters signed by loan officers or loan processors will not be acceptable. The letter must include the following:

- Prepared on Letterhead of the original Lender
- Current Date
- Borrower Name
- Property Address
- Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements
- Signed by an Authorized Representative

The following documents are required with a transfer:

- Executed Appraisal Transfer Letter
- First generation appraisal report

- Copy of the invoice submitted to the original lender
- Proof that the original report was provided to the borrower

9.3. Appraisal Requirements (5-8 Residential and 2-8 Mixed Use)

9.3.1. Appraisal Requirements 5-8 Residential

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties.
- A narrative report can also be utilized and must include the sales approach with repeat sales analysis in value determination.

9.3.2. Appraisal Requirements Mixed-Use Properties

Commercial use limited to retail or office space. Residential or commercial zoning acceptable.

General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode)

9.3.3. Appraisal Attachments Required for Residential & Mixed-Use Properties

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Plot plan or survey
- Appraiser qualifications

9.3.4. Property Condition

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

9.4. Appraisal Review Requirements

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an "as is" value for the subject property (the "Appraisal Review Value") as of the date of the subject loan transaction.

For files requiring an appraisal review product, three (3) options are available:

- Loan Collateral Advisor® (LCA®). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR).
- An enhanced desk review product from Clear Capital (CDA)
- A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.

If the Loan Collateral Advisor® (LCA®) score exceeds 2.5 or the enhanced desk review from Clear Capital reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be either a field review or a second appraisal. These must be from a different appraisal company and appraiser than the original appraisal.

9.4.1. Appraisal Review Requirements 5-8 Residential and 2-8 Mixed-Use

A commercial Broker Price Opinion (BPO) required.

9.4.2. Minimum Property Requirements

Minimum Square Footage		
Single Family	Condominium	2-4 Units
700 square feet	500 square feet	400 square feet per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

9.4.3. Personal Property

Any personal property transferred with a real 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.

9.4.4. Escrow Holdbacks

Escrow holdbacks are **NOT** allowed. Any repair or maintenance required by the appraiser must be completed prior to the Note date.

9.4.5. Declining Markets

If the trend of property values is downward, a "Declining Market" exists. This requires a 5% LTV reduction from the regular LTV matrix for LTVs greater than 70%.

9.5. Eligible Properties

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)
- 2-8 Mixed Use (DSCR only)
  - 2-3 Units: Max 1 commercial Unit
  - 4-5 Units: Max 2 commercial Units
  - 6-8 Units: Max 3 commercial Units
- Condominium
- Modular homes
- Properties of 20 acres or less
- Leaseholds (in areas where leaseholds are common)

9.6. Ineligible Properties

- Mixed Use properties
- 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 (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Condo-hotels or co-op/timeshare hotels
- Projects that include registration services and offer rentals of units on a daily, weekly, or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture or sale of marijuana
- Rural property:
  - A property is classified as rural if:
    - The appraiser indicates in the neighborhood section of the report a rural location; or
    - Any two (2) of the following conditions exist:

- The property is located on a gravel road.
- Two of the three comparable properties are more than 5 miles from the subject property.

9.7. Acreage Limitations

- A maximum of 20 acres **(DSCR Investor Advantage transactions limited to 2 acres)**
- No truncating allowed

9.8. State Eligibility

9.8.1. Texas Home Equity Loans 50(a)(6)

A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in the Texas Constitution.

9.8.2. Consolidation, Extension, and Modification Agreement (CEMA)

NOT allowed on the Non-QM Product.

9.9. Rural Properties

A rural property is classified as rural if:

- The appraiser indicates in the neighborhood section of the report a rural location; or
- Any two (2) of the following conditions exist:
  - The property is located on a gravel road.
  - Two of the three comparable properties are more than 5 miles from the subject property.

Properties classified as rural and not eligible for the DSCR Investor Advantage Program.

9.10. Private Roads

If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the stree t is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction:

- responsibility for payment of repairs, including each party's representative share;
- default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations; and
- the effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners.

9.11. Leasehold Properties

In areas where leasehold estates are commonly accepted and documented via the appraisal, loans secured by leasehold estates are eligible. 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 Seller's title policy.

Documentation must be provided that the leasehold meets all FHLMC / FNMA eligibility requirements (i.e., term of lease).

9.12. Age of Appraisal

The appraisal must be dated within 360 days of the Note date. Recertification of value required if the report will exceed 120 days of the Note Date.

9.13. Properties located in a Declared Disaster Area

Appropriate steps must be taken for properties identified as possibly being affected by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at www.fema.gov/disasters. 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 must be used to determine if the disaster guidelines should be followed.

9.13.1. Appraisals Completed Prior to a Declared Disaster

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.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

9.13.2. Appraisals Completed After a Declared Disaster

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

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

9.14. Condominiums

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loan secured by condominium projects require a completed Homeowners Association (HOA) questionnaire.
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- Maximum project exposure shall be $5,000,000 or 20% of the total units in the project, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV.
- Two- to four-unit condominium projects will not require a project review provided the following are met:
  - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project.
  - The priority of common expense assessments applies.
  - The standard insurance requirements apply.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Commercial space allowed up to 50% of project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
- Single entity ownership allowed up to 20% of the project.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- If must be documented that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

9.14.1. Established Projects

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

9.14.2. New Projects

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only.

9.14.3. Ineligible Projects

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Condominium Hotel – Condotel
  - A 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.
  - A 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 names that include the words "hotel," "motel," "resort," or "lodge."
  - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
  - Hotel or motel conversions (or conversions of other similar transient properties.)
  - has obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment

  - 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, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.

9.14.4. Condominium Insurance Requirements

The condominium association must maintain a master of blanket type of insurance policy, with premiums that are paid as a common expense. The policy must cover all general and limited common elements normally included, such as fixtures, building service equipment, and common personal property and supplies belonging to the homeowners' association. Insurance must cover 100% of the current replacement cost of the project improvements including the individual unit in a condominium project. Coverage does not need to include land, foundations, excavations or other items that are usually excluded from insurance coverage.

9.14.4.1. Liability Insurance for Condominiums

The homeowner's association must maintain a commercial general liability insurance policy for the entire project. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements. Liability coverage must be at least $1 million per occurrence for personal injury and/or property damage and the coverage must provide for claim settlement son an occurrence basis.

9.14.4.2. Fidelity of Employee Dishonesty Insurance for Condominiums

For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least sum of three months of assessments on all units in the project is required.

9.14.4.3. HO-6

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

9.14.4.4. Deductible

The maximum deductible amount must be no greater than 5% of the face amount of the policy.

9.14.4.5. Flood Insurance for Condominiums

- The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
  - Building Coverage must equal the lesser of:
    - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
    - The total number of units in the condominium building times $250,000
- Contents Coverage must equal the lesser of:
  - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
  - The maximum amount of contents coverage sold by the NFIP for a condominium building

9.15. Property Flipping

A property is considered a "flip" if either of the following are true:

- The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement.
- The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement.

If the property is a "flip" as defined above, the following additional requirements apply:

- A second appraisal must be obtained.
- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- The second appraisal must be dated prior to the loan consummation/note date.
- The 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, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

10. Loan Purpose

10.1. Purchase

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

10.2. 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.
- Pay off 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. **(For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).**
- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- 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 is based upon the appraised value.
- Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

10.3. Cash-out Refinance

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrices for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Cash-out eligible to satisfy the reserve requirements.
- A letter explaining the use of loan proceeds is required for all transactions.
  - For all investment property transactions, any loan proceeds used to pay off personal debt creates a consumer transaction, and the loan is subject to ATR and TRID. This includes any past draws, regardless of timing, on a HELOC secured by the subject property. Business purpose transactions will require a draw history schedule, along

with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).

- Loans **NOT** eligible for cash-out:
  - Primary Residence or Second Home properties listed for sale in the past six (6) months.
  - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in the Prepayment Penalty section are met.
  - There has been a prior cash-out within the past six (6) months.
  - Land Contract/Contract for Deed.
- Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.
  - For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
  - If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
  - Cash-out seasoning of less than six (6) months is not allowed when the prior transaction was also a cash-out.
  - Cash-out seasoning of six (6) months or less is allowed with the following restriction:
    - The Seller 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.

A Power of Attorney is **NOT** acceptable on a Cash-out transaction.

10.3.1. Delayed Financing

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
  - The original purchase transaction was an arms-length transaction.
  - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
  - The preliminary title search or report must confirm that there are no existing liens on the subject property
  - The transaction is considered cash-out, cash-out Loan/LTV limits apply.

10.4. Listing Seasoning

For all cash-out refinances, properties previously listed for sale must be seasoned at least six months from the listing contract expiration date to the loan application date. **For investment properties, a listing expiration of less than six months is permitted with a prepayment penalty.**

11. Insurance

11.1. Property Insurance

11.1.1. Coverage Requirements

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

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, 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.

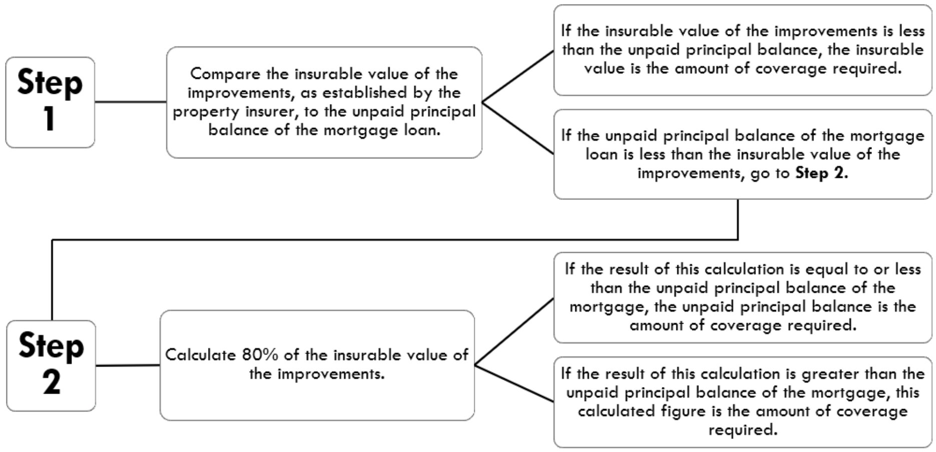
The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer
  - Provide explicit evidence of guaranteed replacement cost coverage, or
  - Provide a replacement cost estimator to evidence adequate dwelling coverage
- the unpaid principal balance of the mortgage if it's at least 80% of the insurable value of the improvements on a replacement cost basis.

If it does not, then coverage that does provide the minimum required amount must be obtained.

11.1.2. Amount of coverage required

The following describes how to calculate the amount of required property insurance



Some examples:

Category	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Principal Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	—	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B

For insurance items not addressed in this section, please refer to FHLMC / FNMA guidelines.

11.2. Flood Insurance

The property securing the mortgage loan must be adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in

- a Special Flood Hazard Area (SFHA), or
- a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). (See below for additional information.)

It must be determined whether or not the property is located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter "A" or "V" are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the "principal structure" is the primary residential structure on the property securing the mortgage loan.

For additional requirements for Condominiums see Section Flood Insurance for Condominiums

If…	The flood insurance is…
any part of the principal structure is located in an SFHA,	Required
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	Required for the residential detached structure
the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	Not required on either structure
the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	Not required on either structure

11.2.1. Acceptable flood insurance Policies

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.

11.2.2. Flood Certificates

Best Capital Funding requires a Life of Loan Flood Certificate for all first liens. A copy of the flood certificate must be included in the loan file. Any loan requiring Flood Insurance must meet the guidelines referenced above.

12. Title

12.1. Title Policy

12.1.1. Terms of coverage

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. The policy must be written on one of the following forms:

- The 2006 American Land Title Association (ALTA) standard form.
- An ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form.

- In states in which standard ATLA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides the same coverage as the equivalent ALTA form.
- For Adjustable-Rate Mortgages, the policy must include ALTA Endorsement 6-06.

12.1.2. Effective date of coverage

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.

12.1.3. Amount of coverage

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

12.1.4. Mortgage Electronic Registration System (MERS)

If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for Best Capital Funding named in the security instrument and the Best Capital Funding's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the Seller and Seller's successors and assigns. However, under no circumstances may MERS be named as the insured of a title policy.

12.1.5. Other requirements

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection to Best Capital Funding. As an alternative to endorsements, the requisite protections may be incorporated into the policy.

Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

12.1.6. Chain of title

All files must contain a 24-month title history. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24 months.

12.1.7. Condominium of Planned Unit Developments (PUD)

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.

If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately, the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Best Capital Funding by insuring:

- that the mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)
- against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- that the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)
- that the mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- that real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole.
- that the owner of a PUD unit is a member of the homeowners' association, and that the membership is transferable if the unit is sold.

12.1.8. Title exceptions

Best Capital Funding will not originate a mortgage secured by property that has an unacceptable title impediment, particularly unpaid real estate taxes and survey exceptions.

If surveys are not commonly required in particular jurisdictions, the Seller must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

12.1.9. Minor impediments to title

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which Best Capital Funding considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

12.2. Title Vesting and Ownership

Ownership must be a fee simple title.

Eligible forms of vesting are:

- Individuals
- Joint Tenants
- Tenants in common
- Inter vivos revocable trust

Ineligible forms of vesting are:

- Land trusts
- Blind trusts
- IRAs

12.3. Closing in the name of an entity (Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an "Entity") in accordance with the requirements listed below:

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

- Restricted to investment properties only.
- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a US State.
- Any business structure is limited to a maximum of four (4) owners or members.
- Personal Guaranties must be provided by all members of the entity.
- Each Entity member providing a personal guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the 1003 loan application. The application of each member providing a

personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.

- It shall not be suggested or encouraged to the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.
- Each member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:

12.3.1. Limited Liability Company

- Entity Articles of Organization, Partnership, and Operating Agreements, if any
- Corporate documents that contain a list of owners along with titles
- Tax Identification Number (Employer Identification Number - EIN)
- Certificate of Good Standing or equivalent
- Foreign LLC Certificate of Good Standing or equivalent if entity not formed in subject property state
- Certificate of Authorization for the person executing all documents on behalf of the Entity
- Borrowing Certificate (LLC Borrowing Certificate - Single Member or LLC Borrowing Certificate - Multiple Member)

12.3.2. Corporation

- Filed Certificate/Articles of Incorporation (and all amendments)
- By-Laws (and all amendments)
- Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is
- incorporated)
- Tax Identification Number (EIN)
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
- Receipt of current year franchise tax payment or clear search.

12.3.3. Partnership

- Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
- Partnership Agreement (and all amendments)
- Certificate of Good Standing (Issued by the SOS where the partnership is registered)
- Tax Identification Number (EIN)
- Limited partner consents (where required by partnership agreement).

12.3.4. Documents must be completed and signed as follows

Signed as an individual by all members of the Entity:

- Loan Application (Fannie Mae® Form 1003)
    - Completed for each individual member of the Entity.
    - Section labelled "Title will be held in what Name(s)" should be completed with only the LLC name.
    - Signed by Individuals

- Personal Guaranty
  - Completed for each individual member of the entity.
  - The guaranty should be executed at loan closing and dated the same date as the Note.
  - Spousal Consent to Pledge (Required for all loan amounts of $1,000,000 or greater)
  - Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge.
- Signed by the authorized signer for the entity
  - Disclosures (e.g., GFE, TIL, ECOA)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

12.3.5. Examples of Signature Requirements

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

Example 1

Borrower: JJ Investors, LLC by James Johnson, Single Member of LLC

Note, Security Instrument, and all Riders:

Signature Block

JJ INVESTORS, LLC a [__________________] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Example 2

Borrower: JJ Investors, LLC, by James Johnson and Jane Nelson, two Members of LLC;

Both Members are Authorized Signatories of LLC.

Note, Security Instrument, and 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]

13. Mortgage Document Requirements

13.1. Power of Attorney Requirements

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute **ONLY** the final loan documents; and
- The Borrower who executed the POA signed the initial 1003, and
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- **NOT** eligible for cash-out transactions or with Foreign National borrowers.

14. Exhibits

14.1. Occupancy Certification

14.2. Borrower Certification of Business Purpose

14.3. Best Capital Funding Borrower Contact Consent Form

14.4. Best Capital Funding Automatic Payment Authorization (ACH) Form

14.5. Non-Occupant Co-Borrower Certification

14.6. Taxpayer Consent Form

14.7. Self-Employed Business Narrative Form

14.8. Spousal Consent Form

14.9. LLC Borrowing Certificate - Single Member

14.10. LLC Borrowing Certificate -Multiple Member

DSCR Investor Advantage Occupancy Certification

Borrower					
Co-Borrower					
Co-Borrower					
Co-Borrower					
Property Address					
City		State		Zip	

I/We the undersigned certify that:

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

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

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

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

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

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

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

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

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

Borrower Date Co-Borrower Date

Co-Borrower Date Co-Borrower Date

DSCR Investor Advantage Borrower Certification of Business Purpose

Borrower					
Co-Borrower					
Co-Borrower					
Co-Borrower					
Property Address					
City		State		Zip	

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of **[LOAN CLOSING DATE].**
The undersigned borrower(s) and, if applicable, guarantor (collectively the "Borrower") certifies and represents to Best Capital Funding ("Seller") all of the following:

1. Borrower has requested that Seller make a loan in the original principal amount of **[LOAN AMOUNT]** ("Loan"), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of Seller, which is secured by that certain Mortgage, Deed of Trust or Security Deed ("Security Instrument") of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as [PROPERTY ADDRESS] ("Property").

2. Borrower has previously represented to Seller that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.

3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.

4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.

5. Certain consumer protection laws, 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. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.

6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

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

Co-Borrower ______________________ Co-Borrower ______________________

Best Capital Funding Borrower Contact Consent Form

Mailing address for your mortgage statements and other correspondence:

_______ Same as the subject property.

_______ Please use this mailing address instead:

Address Line 1 ____

Address Line 2 ____

City / State / Zip ____

Cell phone number:

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

	Within the United States	If you reside outside the United States
Borrower	(__________) __________ - __________	(__________) ____________________
Co-Borrower	(__________) __________ - __________	(__________) ____________________
	(Area Code) Phone Number	(Country Code) Phone Number

Email address:

Borrower ____

Co-Borrower ____

Signature(s):

Borrower ____

Co-Borrower ____

Automatic Payment Authorization Form

☐ Yes, I would like to enroll in the free monthly Automatic Payment Program

Name ______________________________

Address ______________________________

City ______________ State ______________ Zip ______________

Phone ______________ Mobile Phone ______________

Mortgage Number ______________ Financial Institution ______________

Financial Institution Phone ______________

Financial Institution Address ______________________________

ACH Routing Number ______________________________

Account Number ______________________________

Checking ☐ Savings ☐

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the ___________ of each month (select a date within the grace period indicated on your note).

I hereby authorize Best Capital Funding, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest, and escrow items I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable-Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

The authorization is to remain in full force and effect until revoked in writing. Such revocation notification must be provided to the Initiating party no less than fifteen (15) business days prior to it taking effect. Please contact the Initiating Party immediately if you change financial institutions, change accounts within the same financial institution or if you wish to revoke this authorization.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

______________________________ ______________ ______________________________ ______________

Borrower Date Co-Borrower Date

Consent to Share Tax Returns

Borrower	
Loan Number	
Date	

I understand, acknowledge, and agree that Best Capital Funding and Other Loan Participants can obtain, use and share tax return information for purposes of (i) providing an offer; (ii) originating, maintaining, managing, monitoring, servicing, selling, insuring, and securitizing a loan; (iii) marketing; or (iv) as otherwise permitted by applicable laws, including state and federal privacy and data security laws. Best Capital Funding includes the Best Capital Funding's affiliates, agents, service providers and any of aforementioned parties' successors and assigns. The Other Loan Participants includes any actual or potential owners of a loan resulting from your loan application, or acquirers of any beneficial or other interest in the loan, any mortgage insurer, guarantor, any servicers, or service providers for these parties and any of aforementioned parties' successors and assigns.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower Date Co-Borrower Date

Non-Occupant Co-Borrower Certification

Borrower	
Co-Borrower	
Co-Borrower	
Co-Borrower	
Property Address	
City	State / Zip

I/We the undersigned certify that:

________ I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).

________ I/We attest that my/our income is/are being taken into account for qualifying purposes only.

________ I/We attest that we do not currently, nor will ever occupy the above-mentioned Subject property.

________ I/We attest that we will sign the mortgage or deed of trust note at closing.

________ I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).

________ I/We do not have an interest in the property sales transaction, such as the property seller(s), the builder(s), or the real estate broker(s).

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

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

Signature	Date	Signature	Date
Borrower		Co-Borrower	

Best
Capital Funding

Signature	Date	Signature	Date
Co-Borrower		Co-Borrower	

Self-Employed Business Narrative Form

This form to be completed by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include the following: Controller, Treasurer, V.P. Finance, Finance Manager, Accounting Manager or Human Resources Manager. This form can also be completed by a third-party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent.

1 Using the North American Industry Classification System (NAICS) below, please check the industry that best describes this business:

- ☐ Retail Trade
- ☐ Wholesale Trade
- ☐ Agriculture-Forestry-Fishing-Hunting
- ☐ Professional-Scientific-Technical Service
- ☐ Transportation-Warehousing
- ☐ Administrative-Support
- ☐ Finance and Insurance
- ☐ Information
- ☐ Utilities
- ☐ Other Services
- ☐ Educational Services
- ☐ Waste Management
- ☐ Manufacturing
- ☐ Real Estate-Rental and Leasing
- ☐ Arts-Entertainment-Recreation
- ☐ Accommodation-Food Service
- ☐ Mining-Quarrying-Oil & Gas Extraction
- ☐ Construction (Home & Remodeling)
- ☐ Health Care-Social Assistance

2 Name of business: ____________________

3 Number of owners: ____________________

4 Service or Product provided: ____________________

5 Date business started: ____________________

6 Business legal structure: ☐ Partnership ☐ Corporation ☐ S-Corp ☐ Limited Liability Company

7 Business address: (primary location) ____________________

Is the space a residence ☐ **OR** Is the space a commercial/warehouse? ☐

8 Number of business locations: ☐ One ☐ 2-5 ☐ Greater than 5 ☐

9 Are these locations ☐ Owned ☐ Leased

10 Number of employees: ☐ 0 – 5 ☐ 6 – 10 ☐ 11 – 25 ☐ Greater than 25

11 Describe any machinery or equipment required for business operations: ____________________

____

12 Does the business require inventory (raw material or finished goods) to generate sales? ☐ Yes ☐ No

If yes, describe the inventory and turnover ratio: ____________________

____

Name: ____________________ Email: ____________________

____________________ Phone: ____________________

Title:

Signature: ______________________________ Date: ______________________________

Spousal Consent Form

I, ______________________________[Name of Spouse], spouse of [Name of Borrower], acknowledge that I have read the [Guaranty], dated as of [Closing Date], by [Name of Borrower] (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 [Name of Borrower] ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of Best Capital Funding ("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.

Signature ______________________________

Printed Name ______________________________

Address ______________________________

____

State of ______________________________

County of ______________________________

The foregoing instrument was acknowledged before me on this ______________________________, 20______________ by

______________________________(Spouse).

(Notary Seal)

____
Signature of Notary Public

Limited Liability Company Borrowing Certificate – Single Member

To: Best Capital Funding

The undersigned, being the sole member of [____, a ______________________ limited liability company] ("Borrower"), does hereby certify that they are 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 Best Capital Funding ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller 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 Seller; Borrower shall be bound to Seller by and Seller 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 Seller 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 evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller 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 Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, 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$ **[LOAN AMOUNT]** 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 Seller and shall continue in full force and effect until Seller 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 Seller prior to Seller'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_____].

____

Signature

Printed Name ____

Title ____

Limited Liability Company Borrowing Certificate – Multiple Member

To: Best Capital Funding

The undersigned, being all the members of [____, a ____________________ limited liability company]("Borrower"), do hereby certify that they are 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 Best Capital Funding ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller 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 Seller; Borrower shall be bound to Seller by and Seller 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 Seller 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 evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller 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 Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, 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 $**[LOAN AMOUNT]** 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 Seller and shall continue in full force and effect until Seller 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 Seller prior to Seller'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_____].

____
Signature

Printed Name ____________________________

Title ____________________________

____
Signature

Printed Name ____________________________

Title ____________________________

____
Signature

Printed Name ____________________________

____
Signature

Printed Name ____________________________
Title ____________________________

Title

Version Number	Purpose / Change	Author	Date
0.1	Initial Draft	Brett Shirley	8.10.2021
1.0	Final Version	Brett Shirley	8.25.2021
1.1	Removed 5.4.1. Borrower's Living Rent-Free	Brett Shirley	9.3.2021
1.2	Added the Credit Ascent, Prime and Foreign National	Brett Shirley	9.10.2021
1.3	Removed the ability to close in the name of an entity	Brett Shirley	9.22.2021
2.0	Final Version	Brett Shirley	10.12.2021
2.1	Added the use of the LCA Score and closing in the name of an entity.	Brett Shirley	10.20.2021