DSCR Plus [3]
1-4 Unit Investment Property

INVESTMENT PROPERTY, DSCR >= 1.00			
<= $150,000 [1]			
FICO	Purchase	Rate/Refi	Cash Out [2]
740	75	75	75
720	75	75	75
700	75	75	75
<= $1,000,000			
FICO	Purchase	Rate/Refi	Cash Out [2]
740	80	80	75
720	80	80	75
700	80	80	75
<= $1,500,000			
FICO	Purchase	Rate/Refi	Cash Out [2]
740	80	80	75
720	80	80	75
700	80	80	75

1. Minimum loan amount $125,000.
2. Max Cash-Out: $750,000
3. Non-Warrantable Condos: Max 75% LTV.

DSCR Plus Non-QM Underwriting Guidelines	
PROGRAM OVERVIEW	
AUS	• Loans are **not** required to be run through an AUS
LTV/CLTV	The Seller must determine if the loan meets the LTV and CLTV eligibility requirements for the specific loan being reviewed. LTV and CLTV calculations are below. LTV Ratio The LTV of a property is the relationship of the mortgage amount(s) to the property's value. For this calculation the property value is the lower of the sales price, documented cost or the current appraised value. LTV plays an important role in the overall analysis of the loan request and final disposition. Unless otherwise noted in the Guidelines, the LTV ratio calculation depends on whether the transaction is a purchase or refinance transaction. • **Purchase Money Transactions**: Loan Amount /Lower of sales price or appraisal value • **Refinance Transaction**: Loan Amount/Value utilized for underwriting CLTV Ratio Where the Borrower has subordinate financing, the combined or total LTV (CLTV/TLTV) of the junior liens and first lien must be considered in determining if the loan request falls within the product or program parameters. The CLTV ratio is calculated by dividing the total of all liens (First Mortgage Loan Amount + all subordinate financing, including the credit limit of any Home Equity Lines of Credit regardless of amount drawn) by the value to be utilized for the transaction. Determining Collateral Value Collateral valuations impact the determination of the loan-to-value ratios, as well as approval and identification of exceptions. Loans wherein the best usage is as a “tear down and replace” are not eligible. The methods for determining collateral value are different for purchase versus refinance transactions (see Determining Collateral Value section to assist in LTV/CLTV calculations).
Loan Terms	The standard loan term under the DSCR Plus Non-QM product is 30-year fixed rate.
Qualifying Rates	Note that these requirements are superseded by any regulatory requirements such as HPML, unless exempt by definition. **Fixed Rate Loans** • Qualified at the Note rate. **Interest Only Loans** Ineligible
Assumptions	Not allowed
Prepayment Penalty	Prepayment penalties may be placed on investment properties where allowed and to the extent permitted by state and federal law. Except as otherwise specified or directed, the prepayment penalty placed shall be for a term of at least 1 year and permit the Borrower to pay down up to 20% of the original principal balance per 12 month period. Any pay downs (including complete payoff) which exceed 20% per year are penalized in an amount not less than six (6) months interest on the amount prepaid which exceeds 20% of the original principal balance, unless restricted by state/federal law. Any loan which has a prepayment penalty must be a business purpose loan as defined in 12 CFR 1026.3(a). This includes cash-out refinance transactions, where the cash-out proceeds must be used solely for business purposes. Prepayment penalties are available for terms up to five (5) years. Pricing implications may apply in the event that a PPP shorter than three years or no PPP is placed.

	Eligible states for PPP are AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL*, IN, KY, KS, LA, MA, ME, MD*, MO, MT, NC, ND, NE, NH, NV, NJ*, NY, OK, OR, PA*, RI*, SC, SD, TN, TX, UT, VA, VT, WA, WI, WY. *State Specific Limitations • **Illinois** – PPP permitted only when closing in an LLC or Corporation • **Maryland** – Note must include Choice of Law – Title 12, Subtitle 10 Credit Grantor provisions • **New Jersey** – PPP permitted only when closing in a Corporation • **Pennsylvania** – Minimum loan balance of $312,159 required to allow PPP on 1-2 unit properties • **Rhode Island** – Max 1 year prepay period. Purchase transactions must have a Flat-Pay structure: 2% of balance due as penalty. Refinances may follow standard DSCR Plus structure as shown above.
Mortgage Insurance	Not required
Eligible Borrowers	**United States Citizens:** United States Citizens are individuals born in the United States, Puerto Rico, Guam, Northern Mariana Islands, Virgin Islands, American Samoa, or Swain's Island. **Permanent Resident Aliens:** A Permanent Resident Alien holds an I–551 Permanent Resident Card (a.k.a. "Green Card") issued by the Department of Homeland Security (DHS) U.S. Citizenship & Immigration Services (USCIS). This documents that the individual has been awarded permanent residency in the United States. The borrower must present either an unexpired I-551 card or temporary I-551 stamp on an unexpired foreign passport. **Non-Permanent Resident Aliens:** Holder(s) of the following visa types are eligible for financing: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA only. The following are required as evidence that the borrower is in the U.S. legally: • Copy of the borrower's valid and unexpired passport and o Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94, • If a non-U.S. citizen is borrowing with a U.S. citizen, non-permanent resident alien documentation requirements still apply. • **Note:** Certain borrowers holding the following EADs are eligible without a Visa: C09, C10, C24, C31, C33 Borrowers must have been living and working in US for at least 2 years (measured from the application date), must have valid Social Security Number(s), have established credit history, have filed tax returns in the U.S. for two years (for borrowers relying on full documentation income to qualify) and meet all other DSCR Plus Non-QM guidelines based on the specific product. A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa or EAD 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/or continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa). **First Time Home Buyers** Not allowed. **Inter Vivos Revocable Trust** Ineligible **Foreign Nationals** Ineligible

Ineligible Borrowers	• Foreign National borrowers • ITIN borrowers • Borrowers with diplomatic immunity • Borrowers without a social security number or a number that cannot be validated with the SSA. • Life Estates • Inter-vivos trust • Non-revocable trust– **no exceptions** • Guardianships • Homebridge Employees • Trusts or Business Entities whose members include other LLCs (multi-layered LLCs), Corporations, Partnerships, or Trusts • Trusts or Business Entities where a Power of Attorney is used • Borrowers previously convicted of mortgage fraud • Correspondent Lender company employees and owners
Eligible Properties	• 1-4 unit attached and detached properties • Attached and detached PUDs • Attached and detached Condos which are warrantable under Fannie Mae/Freddie Mac criteria. • Single Family Residences with an Accessory Unit (ADU)
Ineligible Properties	• Acreage greater than 5 acres (appraisal must include total acreage) • Tenancy in Common properties • Properties with less than 500 square feet living space • Mixed-Use properties • Log Homes • Manufactured housing • Modular homes • Properties subject to oil and/or gas leases • Unique properties • Agriculturally Zoned Properties • Working farms, ranches or orchards • Hobby farms • Co-ops • Condotels or Condos with hotel-like features • Live/Work Projects • Properties with a condition rating of C5 or C6 • 1-unit properties with multiple ADUs • 2-4 units with Accessory Dwelling Unit • Boarding houses • Group homes • Properties located in Lava Zones 1 & 2 • Leasehold estates • Vacant land • Properties not eligible for year-round occupancy • Properties requiring hauled water and those lacking satisfactory utilities • Properties with deed restrictions, with the exception of properties that meet Fannie Mae age-related deed restriction requirements and properties with deed restrictions specific to developer land-use or building code requirements for a subject development.

Geographic Eligibility	The DSCR Plus Non-QM product suite is eligible in **ALL** states, provided the Originator is licensed to originate in the subject property state. Geographic eligibility is based on the originator's licensure. No state subprime or equivalent allowed. For transactions involving subject properties in California, property taxes can be calculated based on 1.25% or the actual documented tax rate (on fully-developed land). Loans that fall under the definition of New York Subprime Home Loan are not eligible for the product. NY Subprime is defined as a primary residence where the loan amount is under the county's conforming limit (high balance if a high cost county, standard if not) where the APR is more than 1.75% above the comparable rate based on the Freddie Mac Mortgage Survey. This applies to all documentation types. See NY Banking Law §6-M for additional information. Second Home and Investment Properties in the County of Philadelphia are ineligible. Second Home and Investment Properties in the City of Baltimore are ineligible. • Second Home and Investment Properties located in the County of Baltimore, but not within the City of Baltimore, are eligible.
Temporary Buydowns	Temporary interest rate buydowns are not eligible.
Eligible Transactions	**Purchase Money Transaction** For a mortgage loan to be considered a Purchase Money Transaction, the proceeds from the mortgage loan must be used to finance the acquisition of the subject property or to pay off the outstanding balance of a land contract or contract for deed. Proceeds from the mortgage loan may not be used to give the borrower cash back other than an amount representing reimbursement for the borrower's overpayment of fees and/or a legitimate pro-rated insurance premiums and real estate tax credit in locales where real estate taxes are paid in arrears, if any. A purchase transaction where there is no defined relationship between the buyer and seller is deemed to be arm's length in nature. Homebridge will allow a borrower to have a purchase contract assigned to them. The purchase price to be utilized to underwrite will be the original purchase price of the property per the purchase agreement, any assignment fees must be paid by the borrower. *Non-Arm's Length Purchase* Non-arm's length transactions are ineligible with the exception of transactions involving unrelated tenant/landlord relationships. **Rate/Term Refinance Transaction** A Rate/Term Refinance Transaction is utilized to pay off an existing first mortgage plus any junior lien loans against the subject property by obtaining a new first mortgage loan secured by the same property. All refinances must meet any and all Net Tangible Benefit requirements in accordance with applicable state and federal regulation. There is no title seasoning requirement for a rate and term refinance. A transaction which meets one of the below criteria may be deemed a Rate/Term Refinance Transaction: • Paying off the unpaid principal balance of the existing first mortgage loan including closing costs, prepaid items and points, • Paying off any subordinate lien(s) used to purchase the property may also be included and paid off with proceeds from the new mortgage loan, • Paying off any subordinate lien or equity line of credit (HELOC) seasoned more than 6 months that has not had draws > $5,000 in the past 6 months, • The maximum cash out cannot exceed the lesser of 1% of the balance of the new refinance mortgage loan, or $5,000, • Buying out a co-owner or beneficiary pursuant to an agreement acceptable in its form to Homebridge A stipulation of settlement and/or divorce decree is acceptable to meet this requirement. The borrower does not need to be a signer on the current note, • A Technical Refinance: Recoupment of funds expended to purchase a property acquired for cash within the 6 months prior to application date. The closing statement evidencing a cash sale must be provided and evidence of the source of funds used to purchase must be documented as the borrower's own. Recoupment of gift funds is deemed to be cash out. Max proceeds not to exceed borrower's documented investment. The value utilized for LTV calculation will be the lower of the purchase price or appraisal value unless appraiser can

	justify and support an increase in value, or • Recoupment of funds expended to improve the subject property. Improvements must have been completed within the last six months preceding the application date, funds must have been borrower's own. Cash out amount not to exceed documented improvement costs, otherwise the transaction will be deemed cash out and the amount of cash out measured by the proceeds to the borrower above and beyond the documented costs. Value utilized for LTV calculation would be the current appraised value. Acceptable documentation would include copies of invoices for work completed along with proof of payment by the borrower. The last two bullets may be combined, and the transaction treated as a rate and term refinance provided cash proceeds to the Borrower do not exceed the Borrower's documented cash investment. **Cash-Out Refinance Transaction** If the proceeds to the Borrower exceed the lesser of $5,000 or 1% of the new mortgage loan balance, OR if the transaction does not meet the rate/term criteria above it is considered a cash-out refinance. Properties owned for less than 6 months (Deed Date to Note Date) are ineligible. • For all LTVs, there is a maximum $750,000 limit of cash-out funds received on a Cash-Out Refinance transactions. Cash-Out Proceeds – For determining the maximum limit, cash-out proceeds are defined as: • The net cash funds received by the borrower at the closing, as per the CD; PLUS • The funds used to pay-off unseasoned subordinate liens on the subject property; All refinances must meet any and all Net Tangible Benefit requirements in accordance with applicable state and federal regulation. Cash-Out Proceeds may be used to satisfy Reserve requirements. Cash-Out Proceeds may **not** be used to pay-off non-mortgage debts, including installment and revolving debt, or mortgage debts associated with other owned properties.
Ineligible Transactions	• Transaction paying off an Installment Land Contract • Adjustable Rate Mortgages (ARMs) • Interest Only Loans • Texas 50(a)(6) Home Equity Refinances • Loans with a balloon payment • Community Land Trusts • Energy Efficient Mortgage loans (EEM) • High-Cost Loans • Loans held in a blind trust • Loans to Principal Owners of Business Lending Client • Loans which allow Assumptions • Loans with more than four (4) borrowers • Loans with temporary buydowns • New York purchase transactions documented by CEMA • Non-arm's length transactions, except for transactions involving unrelated tenant/landlord relationships. • Principal curtailments that exceed the lesser of $10,000 or 1% of the loan amount • Refinance of an unseasoned Restructured Loan or Short Refinance Loan • Renovation or Rehabilitation Mortgages • Construction-to-Permanent financing • Title held in Tenants in Common with unequal ownership • Transactions consisting of an assignment of sales contract • Transactions that include the use of privately funded loans for the purpose of securing assets for the transaction
Undisclosed Debt Monitoring	Undisclosed Debt Monitoring is not required for DSCR Plus transactions.
Subordinate Financing	Subordinate financing is not eligible for DSCR Plus Transactions.

Limitations on Other Real Estate Owned	Loan/Property restrictions per borrower are as follows: • Borrowers are collectively limited to four (4) loans owned by Homebridge not to exceed $10,000,000 • Borrowers with > 20 financed properties are not eligible for any 2nd home or investment property transaction (purchase, rate/term, or cash-out). This is aggregate based on all borrowers and includes commercial properties. • Borrowers may have Homebridge financing on a maximum of 5% of the properties in a condominium project. • For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed
Short Sale	Homes purchased through a short sale may be eligible for financing. The underwriter must diligently review purchase transactions for possible red flags that could indicate suspicious activity related to the short sale and that would subsequently render the loan ineligible. Short Sale Fee Documentation The following documentation is required in the mortgage loan application file: • Written details provided to the borrower outlining the additional fees or payments and the additional necessary funds to complete the transaction. • The servicer who is agreeing to the short sale must provide confirmation that they have the option of renegotiating the payoff amount to release its lien. • All parties (buyer, seller, and servicer) must provide their written agreement to the final details of the transaction, including the additional fees or payments. This can be accomplished by using the Request for Approval of Short Sale form or any alternative form or addendum that clearly indicates that all parties (buyer, seller and servicer) agree to the final details of the transaction, including any additional fees. • The Closing Settlement Statement must include all fees and payment included in the transaction.
Power of Attorney	A Power Of Attorney (POA) is allowed. Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a Power Of Attorney: • The lender, • Any affiliate of the lender, • Any employee of the lender or any other affiliate of the lender, • The loan originator, • The employer of the loan originator, • Any employee of the employer of the loan originator, • The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate, or • Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent. A POA is ineligible for cash-out refinance loans, or loans where title is closed in a trust or LLC/Partnership/Corporation. In the event there is only one Borrower on the loan, the appointed individual signing on behalf of the Borrower must be either a relative or their attorney at law. The original POA must be shipped to: Homebridge Financial Services, Inc. Attn: Warehouse 99 Wood Avenue South, Suite 301 Iselin, NJ 08830
Escrow/Impound Waivers	Unless required by applicable state law, escrow/impound waivers for taxes and insurance are permitted, except in the following case: • Flood insurance – flood insurance premiums and fees are required to be escrowed as mandated by the Flood Disaster Protection Act of 1973, as amended,

INCOME	
Income – Investor Cash Flow	**Product Eligibility** Qualification is determined solely based the debt service coverage ratio (DSCR) of the SUBJECT PROPERTY ONLY, as defined by rents divided by proposed PITIA (based on the qualifying rate and payment). See Qualifying Ratios for more detail. The loan must be eligible for treatment as a business purpose loan. This includes cash-out refinance transactions, where the cash-out proceeds must be used solely for business purposes. At least one borrower on the file must have at least a 12-month history of owning and managing rental properties, though it does not need to have been in the most recent three years. Management of commercial properties is acceptable. See below for requirements to waive the landlord history requirement. No income or employment is verified for this product. No DTI is developed. These loans are deemed business purpose loans and as such are exempt from ATR and QM requirements. They are also exempt from HPML requirements. **Note:** Property Tenants may not be family members of the borrower on Investor Cash Flow transactions. **Qualification** The Debt Service Coverage Ratio (DSCR) is subject to specific criteria based on loan amount, FICO score and LTV. Please see the Investor Cash Flow matrix on page 3 to determine eligibility. Also note that certain DSCR levels (i.e. < 1.00) may be subject to pricing adjustments Example: Rents of $1,000 and PITIA of $800. DSCR=$1,000/$800=1.25. This would be eligible for the product. Rents of $800 and PITIA of $1,200. DSCR=$800/$1,200=.667. This would not be eligible for the product. **Landlord History Waiver** Borrowers who meet all of the below criteria are not required to document a previous 12 month history of owning and managing rental properties. Underwriting may, in its discretion, request a motivation letter or other information as necessary to establish the loan as a business purpose loan. In instances where there are multiple Borrowers and all Borrowers do not meet the below requirements, the file is subject to additional due diligence to verify it will be a business purpose loan. • Max 75% LTV • Min 12mo Reserves • 0x30x12 on all housing trade lines as of the application date • No mortgage forbearances with a missed payment in the most recent 12 months prior to the application date • Purchase transactions only • Borrower must own their current primary residence or second home **Determination of Rents** *Purchase* Use 100% of the market rents as determined by the appraiser. No lease is required. If a lease is in place, the lesser of the market rents or the current rents will be utilized. Expired leases and at-will tenancies without a written lease agreement are not acceptable. If a borrower has a tenant in place on a lease which will commence within 60 days of purchase, said lease may be included within the determination of the subject property's cash flow as the current rents. The Borrower must provide the executed lease and proof of receipt of 1 months' rent and/or security deposit due per the terms of the lease. In the event that the unit is subject to a lease agreement and the lease agreement exceeds the market rents, the lease may be used (up to 120% of market rents) to calculate the DSCR provided the lease will continue for at least six months after the note date and three months of rents due prior to the application date are documented as received timely. *Refinance* Use 100% of the lesser of current or market rents as determined by the appraiser. Borrower must provide leases in place (no vacant properties). Expired leases and at-will tenancies without a written lease agreement are not acceptable. If a borrower has a tenant in place on a lease which will commence within 60 days of closing, said lease may be included within the

	determination of the subject property's cash flow as the current rents. Borrower must provide the executed lease and proof of receipt of 1st months' rent and/or security deposit due per the terms of the lease. In the event that the unit is subject to a lease agreement and the lease agreement exceeds the market rents, the lease may be used (up to 120% of market rents) to calculate the DSCR provided the lease will continue for at least six months after the note date and three months of rents due prior to the application date are documented as received timely. Short-Term Rentals are ineligible for the DSCR Plus Program. *Multi-Year Lease* In the event a Borrower has a multi-year lease, an increase coming within 12 months and which will continue for 12 months after the adjustment may be utilized to calculate the DSCR. The increased rents utilized to underwrite under this section may not exceed the appraiser's opinion market rent of the unit(s) in question. Accessory Unit Rental Income Rental income from an accessory unit may be utilized towards qualifying income. 75% of the rents may be utilized. On a purchase transaction, the appraiser's opinion of market rent may be utilized. On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of most recent one month's rental income dated within 60 calendar days of the Note Date. In all cases, the appraiser must be able to verify with the building department that the accessory unit is a.) legal and b.) may legally be rented.

ASSETS	
Assets	The accumulation and availability of liquid assets are a strong factor indicating a sound credit risk. Asset documentation is required to evidence funds needed to cover down payment and other related closing costs as well as satisfy the reserve requirements per program guidelines. Not all asset types are acceptable for each program's reserve requirement. Assets statements are generally valid for 90 days. Asset statements provided must cover at least 30 days, using the most recent one (1) month bank statement, or most recent quarterly statement.
Down Payment	On purchase transactions, borrowers must make the down payment with funds from their own resources. Generally, all earnest money deposits must be fully documented including the source of the down-payment from the borrower's account(s) and the evidence of transfer to the closing agent. Gift funds may be utilized towards down payment requirements subject to the gift section below.

Asset Eligibility	The following provides a list of assets and when they can be utilized for down payment and or reserves. Note that this section relates solely to the utilization of assets to meet the funds to close or reserve requirements. **This section does not apply to Asset Distributions or Asset Utilization**
	
	Annuities/Cash Value of Life Insurance
	The cash value of an annuity or a whole life insurance policy is an acceptable source for funds needed to close or for reserves and is defined as 100% of the stated value of the annuity, net of any loans. If being used for funds to close, document the liquidation. If penalties for failure to repay the loan are limited to the surrender of the policy, payments on a loan secured by the cash value of a borrower's life insurance policy do not have to be considered in the total debt-to-income ratio.
	
	Borrowed Funds - Secured
	Borrowed Funds from a secured loan may be used as a source of closing funds or reserves. To utilize Borrowed Funds:
	• The loan must be secured by an asset already owned by the borrower (e.g. CDs, marketable securities, other real estate, life insurance policies and retirement accounts);
	• The terms of repayment for the loan and the secured nature of the loan must be verified by obtaining a copy of the note;
	• The value of the remaining assets must be reduced by the amount of the secured loan balance
	
	Business Assets
	Cash from a business account may be acceptable provided the funds are not required to service the business' current liabilities. These funds may be eligible on loans where the borrower can evidence that the withdrawal of the funds will not impact the operation of the business. Additionally, the amount of business assets that may be utilized would be restricted to the percentage of ownership interest the borrower(s) has in the business. The borrower(s) on the loan must own a combined 25% or greater interest for the funds to be utilized. All funds must be documented with the most recent two months bank statements. Additionally, one of the following must be provided unless the loan is an Investor Cash Flow transaction:
	• A letter from only a CPA, EA, or CTEC (a CTA, PTIN, or equivalent without one of these designations is not allowed) stating that the use of funds in the transaction will not have a material adverse impact on the business' operations; OR
	• Complete a Cash Flow Analysis based on the following:
	    ○ Determine the business' monthly operating expenses based on either the most recent year's tax returns or average deductions on three (3) months' worth of statements
	    ○ Deduct three (3) months' worth of expenses from current business balance to determine available balance. Then apply borrower's ownership percentage to the result to determine available business assets that may be utilized for the transaction.
	
	Any funds which have been transferred into personal accounts prior to application date may be utilized without restriction.
	
	Checking, Savings or Share Accounts

	Funds held in a checking or savings or share accounts (credit unions) may be used for the down payment, closing costs, and financial reserves. The underwriter must investigate any indication of borrowed funds such as recently opened accounts (within 90 calendar days), recent large deposits that are atypical or inconsistent, or account balances that are considerably greater than the average balance over the previous few months. A written explanation of the source of funds from the borrower is required and the Seller must verify the source of funds. The funds must be U.S. dollar deposits in institutions located in the U.S. A joint access letter is not needed to use 100% of the assets held in an account held jointly with non-borrowing account holders. For Investor Cash Flow and Foreign National loans, the underwriter may use discretion on whether to source large deposits. **Proceeds from a Cash-Out Refinance** Cash-out proceeds from a subject property refinance may be used as closing costs, source of debt pay-down/off for all products and as post-closing reserves. **Certificates of Deposit (CD)** Certificates of Deposit are an acceptable source of funds for down payment, closing costs and reserves. Funds must be U.S. dollar deposits in institutions located in the U.S. Utilize 100% of the face value of the account. **Custodial Accounts for Children or Others** Custodial accounts for children or others are an acceptable source of funds for down payment, closing costs and reserves. 529 Accounts are **not** acceptable. Document the borrower's ability to access the funds in order to utilize them. **Cryptocurrency Assets** Cryptocurrency is an eligible source of funds for down payment, closing costs and reserves. The cryptocurrency must be liquidated and deposited into a United States bank/financial institution account. **Foreign Assets** Funds that are on deposit in institutions located outside the United States or non-U.S. denominated funds in a deposit institution located in the U.S are considered foreign deposits. These deposits can be subject to exchange-rate risk and country risk. The use of foreign deposits for down payment, closing funds and reserves requires that: • Proof the transferred funds belonged to borrower(s) for 90 days prior to transfer, • Funds must be transferred into a U.S. bank/deposit account, and • Proof of wire transfer must be documented in the file Assets which are held in an approved institution may be used for post-closing reserves and may remain in the foreign country. Refer to approved institution list. **Marketable Bonds and Securities** Marketable Securities such as stocks, government bonds and mutual funds (net of margin) are acceptable sources of funds for down payment, closing costs, and reserves provided their value can be verified. Marketable Securities must be traded on a major market exchange (e.g., NYSE, AMEX, and NASDAQ) where market activity and valuation can be readily determined. Marketable Securities can be used for closing funds and reserves at 100% of the verified market value, net of the balance of any outstanding margin loans. A joint access letter is not needed to use 100% of the assets held in an account held jointly with non-borrowing account holders. Liquidation Requirements If the funds are needed for closing (e.g. down payment, closing costs, etc.), the liquidation of the funds and the end balance must be documented. Liquidation is not required if the funds are being used solely to meet post-closing reserve requirements. **Non-Borrowing Title Holders** Funds from a non-borrowing spouse who is/will be a titleholder may be utilized as funds to close (not reserves) on a primary residence or second home. These funds will not be considered gift. Two (2) months' asset statements must be provided and any large deposits sourced/documented acceptably. For Investor Cash Flow and Foreign National loans, the underwriter may use discretion on whether to source large deposits.

Stock Options - if Exercisable

Vested Stock Options are an acceptable source of funds for down payment and closing costs if they are immediately available to the borrower. Vested Stock Options are acceptable for reserves at 70% of the current market value limited to the strike price value. The value of vested Stock Options can be documented by: referencing a statement that lists the number of options and the option price and using the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock.

If the brokerage firm or fiduciary that negotiated the execution of the Stock Options did not deduct income taxes from the net proceeds, the Seller must ensure that the borrower will not suffer severe cash flow or liquidity problems when the taxes come due.

Non-vested Stock Options are **not** an acceptable source of funds for the down payment, closing costs, or reserves.

Proceeds from Sale of Real Estate

Proceeds from the sale of real estate are an acceptable source of funds for funds to close and reserves. The closing of the other real estate transaction must take place prior to or simultaneous with the subject closing and the net proceeds to the borrower must be verified via a fully executed Closing Settlement Statement or equivalent settlement statement.

Proceeds from the Pending Sale of Real Estate

In instances where a Borrower owns real property that is under contract to sell but will not close prior to the consummation of the subject transaction, the equity in the property in question may be used towards post-closing reserves. For a Borrower to be eligible under this guideline, the following criteria must be met:

- The transaction in question must be subject to a bona fide arm's length purchase and sales contract, listing the seller as either the owner individually or through an entity created for their benefit,
- The transaction in question must have a contracted closing date within 90 days of the closing of the subject transaction. An "on or about" date is acceptable for this purpose,
- The transaction in question may not be subject to any outstanding financing contingencies. If there were any financing contingencies in the purchase and sales contract, then there must be evidence in the loan that they have been cleared,
- The Borrower must provide an estimated settlement statement drawn up by the attorney or closing agent representing them in the transaction in question confirming the estimated proceeds, net of any seller closing costs and/or lien payoffs, and
- The Borrower must provide a letter attesting to the number and amount of outstanding liens on the property that is involved in the transaction in question

If all these parameters are met, up to 50% of the borrower's documented share of the proceeds may be utilized towards the post-closing reserve requirement.

Rental or Lease Credits

Rental/Lease credits are not an acceptable source of funds toward the down payment.

Repayment of a Loan

A lump sum repayment of a loan can be used as an asset for down payment, closing costs and reserves provided the initial loan and the repayment can be verified and documented.

Retirement Accounts

Vested funds from Individual Retirement Accounts, Annuities, (IRA/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves.

Verify the ownership of the accounts and the borrower's actual receipt of the funds realized from the liquidation of the assets, if needed to complete the transaction. When funds from retirement accounts are used for reserves, we do not require the funds to be withdrawn from the account(s). If the Retirement Account only allows withdrawal based on the borrower's employment termination, retirement (unless the borrower is of retirement age), or death, Homebridge will **not** consider the vested funds as effective reserves.

Eligible Retirement Accounts without restrictions for withdrawal may be included in the reserves or funds to close requirements as indicated above. For reserve purposes utilize the vested balance amount minus any outstanding loans and/or funds liquidated to complete the transaction at 100% (80% for borrowers under eligible retirement age) of net value (based on market volatility).

	Tax Deferred Exchange (1031 exchange) Transactions involving 1031 exchange are permitted for investment properties. The Internal Revenue Code provides that a taxpayer may sell an asset (personal property or real property) and defer payment of capital gains tax if that taxpayer uses the proceeds to acquire a like-kind replacement asset. Funds are controlled by a Qualified Intermediary (QI) or Accommodator or Facilitator, an individual or business entity that is sanctioned as a safe harbor by the IRS and provides the following functions/services in a 1031 exchange: • Acquires the relinquished property from the Exchanger and causes it to be transferred to the buyer, • Holds the exchange proceeds to avoid exchanger's actual or constructive receipt of funds, and • Acquires the replacement property and causes it to be transferred to the exchanger. The QI/Accommodator/Facilitator cannot be the taxpayer, a related party or an agent of the taxpayers. Provide the sales contract for the sold property along with the 1031 exchange agreement in addition to any other documents required under standard requirements in this guideline. Title can be held in an entity, please follow the respective requirements in the Title Vesting section of the Underwriting Guidelines Transactions involving 1031 Exchange must meet following criteria to be eligible for financing: • The exchanged property must be identified within 45 days from the date of sale of the relinquished property • All 1031 proceeds of the initial sale must be controlled by Qualified Intermediary (QI), Accommodator or Facilitator, with supporting documentation provided, and • All 1031 proceeds of the initial sale must be re-invested in the like-kind property within 180 days of that sale. When exchanging property, replacement property must be "like-kind" property. Example: Real property has to be exchanged with real property, not personal property. Should exchange funds be used to provide earnest money deposit, the taxpayer must sign an Assignment of Purchase and Sale Agreement with the QI/Accommodator/ Facilitator prior to the disbursement. **Trust Account Funds** Funds from a borrower's Trust Account are an acceptable source for the down payment, closing costs, and reserves provided the borrower has immediate access to the funds. Written documentation of the value of the Trust Account from either the trust manager or the trustee and document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage. The trust agreement or trust certificate should be provided. **U.S. Savings Bonds** U.S. Savings Bonds are an acceptable source of funds for down payment, closing costs and reserves. To use U.S. Savings Bonds for closing funds and cash reserves calculations, the borrower should provide a list of amounts, serial numbers and maturity dates of the bonds. Photocopies should **not** be made. U. S. Savings Bonds should be based on their purchase price unless the redemption value can be documented.
Gift Funds	A borrower of a mortgage loan may use funds received as a personal gift from an acceptable donor as a source of funds to close, closing costs, and funds to pay down debts. The gift donor must be a relative. A relative is any person related by blood, legal proceedings, marriage, or adoption and also includes a fiancé or domestic partner. Gift funds may not be used for reserves. Gifts funds are eligible under the following guidelines: • Purchase transactions only • Limited to 5% of the purchase price (up to 10% allowed on LTV ≤70%). • The gift donor must be an individual(s) and may not be a business or trust. • The gift 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.

	• Gift funds from foreign assets must meet foreign asset seasoning requirements to be an acceptable source of funds for a gift.
	• The gift funds must be transferred to the borrower. Documentation such as one of the following is required to evidence gift funds are either in the donor's account or have been transferred from the donor's account to the borrower:
	  ○ 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
	  ○ Evidence of the electronic transfer of funds from the donor's account to the borrower's account or closing agent
	  ○ A copy of the donor's check to the closing agent, or
	  ○ A settlement statement showing receipt of the donor's check
	    ▪ Funds wired directly to the closing agent are acceptable with documentation evidencing the gift donor is the remitter of the wire and the bank account that originated the wire belongs to the donor.
	• Information related to the donor and gift are provided in an executed "gift letter" provided by the donor that specifies:
	  ○ The name and address of the receiving party
	  ○ The name and address of the donor party
	  ○ The donor's relationship to the borrower/receiving party
	  ○ The dollar amount of the gift
	  ○ A statement from the donor that no repayment is expected
	  ○ The property being financed
	  ○ The date the funds were (or will be) transferred

Gift of Equity	Gifts of Equity are not eligible for this program.
Interested Party Contributions	Interested Third Party Contributions are the cost of items normally paid by the borrower, but which are paid by the seller or another interested third party to the transaction. Interested parties generally include the builder, the developer, the seller of the property, the real estate agent, etc. Examples of sales incentives include: commission paid to a realtor, a program developed by a seller or third party (e.g. a property management company, a builder, an investment group, a marketing company, etc.) to entice a buyer to purchase the property or a finder's fee or bonus paid to a realtor or a third party. Generally, Homebridge does not consider contributions that are from a person related to the borrower, the borrower's employer, a municipality, or a non-profit organization as interested party contributions. Interested party contributions must be: • Disclosed in the sales contract, • Documented in the Mortgage file, • Clearly shown on the Closing Disclosure, and • Paid to the appropriate vendor by the Title Insurance Company or Closing Attorney. **Seller Credit/Financing Contributions** Funds originating from an interested third party and paid to the appropriate vendor are acceptable when they are used to permanently reduce the interest rate on the mortgage or pay related mortgage financing costs, closing costs, required pre-paids, and escrow costs. The total of financing contributions may not exceed the lesser of the total of the closing costs and pre-paids or the LTV described in the guideline below. *Maximum Financing Contributions* 6%
Reserves	Reserves are those assets which are liquid or may be liquidated and are available to borrower(s) post- closing of the mortgage loan. Reserves include the borrower's total cash and other assets that are easily and readily convertible to cash by the borrower minus: • The total funds required to close the mortgage; • Gift funds; and Reserves are calculated using the qualifying payment (see Qualifying Ratios for details) and are measured by the number of months of monthly housing expense (PITIA- Principal, Interest,

<table>
<tr><td></td><td>Taxes, insurances, Association dues /Special assessments) that a borrower could pay using his or her financial assets. PITIA includes:
• Principal and Interest
• Real Estate Taxes
• Homeowner’s Insurance (Hazard, Flood, etc.)
• Ground Rent
• Special Assessments
• Owner’s Association Fees
• Payments for Subordinate Financing
The requirements for reserves for each program are as follows:
<table><tr><th colspan="2">Requirements</th></tr><tr><td>Loan amount up to $1MM</td><td>6 months PITIA</td></tr><tr><td>Loan amount up to $1.5MM</td><td>9 months PITIA</td></tr><tr><td>DSCR Landlord History Waiver (First Time Investor)</td><td>Minimum 12 months PITIA</td></tr></table>
<u>Cash-Out Proceeds for Reserves</u>
• Cash-out proceeds are eligible for closing costs
• Cash-out proceeds are eligible to meet reserve requirements
• Cash-out proceeds are not eligible to payoff/paydown debt</td></tr>
<tr><td>Ineligible Asset Types</td><td>Examples include, but are not limited to, the following:
• Anticipated Savings
• Unsecured Borrowed Funds: Unsecured loans, unsecured credit lines, advances against overdraft protection or advances against credit cards or lines are not acceptable sources for funds needed to close or for reserve requirements.
• Cash on Hand / Cash Deposits
• Community Savings Plans and Lending Clubs
• Custodial Accounts still under custodian’s control
• Down Payment Assistance Programs
• Gifts of Equity
• Individual Development Account Matching Funds
• Lot Value (when received as a gift)
• Pension Funds
• Pledged Assets
• Private Funds (from a secured or unsecured loan)
• Sales Concessions
• Non-marketable Securities: Non-marketable Securities are not traded on a major stock market exchange, and their valuation and market value cannot readily be obtained. Non-marketable securities (stocks and bonds) are not used to calculate cash reserve requirements.
• Sweat Equity (Work Equity): Sweat equity is not an acceptable source of funds for the down payment, closing costs, or reserves, since it is difficult to accurately assess the contributory value of sweat equity work.
• Restricted Securities: Restricted Securities are not an acceptable source of funds. Restricted Securities cannot be readily traded due to Rule 144 and Security and Exchange Commission (SEC) regulations.
• Assets generated from activity that is illegal on a local, state, and/or federal level.
• Sale of Personal Property: Assets received from the sale of personal property for which ownership history cannot be documented (e.g. gold, jewelry, etc.)
• Non-Vested Stock Options/Restricted Stock Units</td></tr>
<tr><td>Acceptable Bank List for Foreign Credit/Assets</td><td><table><tr><td>Agricultural Bank of China*
Banco Bradesco
Banco do Brasil
Bank of America*
Bank of China*
Bank of Montreal</td><td>Itau Unibanco
JP Morgan Chase*
Mitsubishi UFJ FG
Mizuho FG
Morgan Stanley*
Nordea</td></tr></table></td></tr>
</table>

	Bank of New York Mellon* Barclays* BBVA* BNP Paribas* BTG Pactual Caixa Econômica Federal (CEF) Citigroup* Credit Suisse* Deutsche Bank* Goldman Sachs* Groupe BPCE Group Crédit Agricole HSBC* Industrial and Commercial Bank of China Limited ING Bank*	Royal Bank of Scotland Royal Bank of Canada (RBC Bank) Santander* Société Générale Standard Chartered* State Street* Sumitomo Mitsui FG TD Bank UBS* Unicredit Group XP Investimentos Wells Fargo* * Denotes branch located in the United States
	Foreign Credit/Assets that are not from an acceptable bank listed above may be considered on a case-by-case basis. The Seller must contact the Homebridge Secondary Marketing department.	

CREDIT & LIABILITIES	
Credit Requirements	Utilization and timely repayment of credit is a strong positive factor in determining a borrower's credit risk profile. This chapter of the guideline addresses requirements for borrower's credit profile. A merged credit report is required from all borrowers containing information from all three credit bureaus. A report for any borrower containing only two bureaus is acceptable to the extent that it is the extent of the information available on said borrower. Borrowers with only one (1) bureau reporting are not eligible. Any frozen bureaus must be unfrozen and credit information obtained. The credit report is good for 120 days from report date to note date. Borrower(s) must sign a debt certification form at closing verifying they have not opened any new tradelines. Borrower(s) must address, in writing, any credit inquiries from the prior 120 days that appear on the credit report.
Trade Line Requirement	**Minimum Trade Line Requirement** • Each borrower must have a minimum of three (3) trade lines and a credit history covering twelve (12) months OR two (2) trade lines and a credit history covering twenty-four (24) months. The trade lines must reflect an acceptable payment history. If a borrower's spouse is the only co-borrower listed, only one borrower is required to meet this guideline. • Trade lines for closed accounts may be used to meet this requirement provided the payment history is acceptable. • Authorized user accounts may not be used to satisfy this requirement unless the borrower can provide written documentation (such as cancelled checks or payment receipts) proving that he or she has been the actual and sole payer of the monthly payment on the account for at least twelve (12) months preceding the date of the application. • A trade line for which a payment has never been made may not be used to satisfy this requirement (for example, a deferred student loan). • Borrowers who do not meet the above minimum trade line requirements are not eligible. **Authorized User Accounts** The authorized user account cannot be considered part of the borrower's credit history when the borrower has several authorized user accounts, and only a few accounts of his/her own (see below). Conversely, if the borrower has several trade lines in good standing and only a minor number of authorized user accounts, the information reported on the credit report may be considered as an accurate reflection of the borrower's credit history. • If a borrower provides twelve (12) months cancelled checks as proof of payment on an authorized user account, the account may be considered part of the borrower's credit history. The required monthly payment must be included in the DTI calculation. • Authorized user accounts are not required to be included in the borrower's DTI ratios, unless the debt was listed on the initial loan application, or if the borrower is responsible for making the payment. **U.S. Citizen Living Overseas/Foreign Credit References** If a borrower does not have sufficient trade line references in the United States, credit references from foreign countries may not be used and the loan will be ineligible. **Unmarried Joint Borrowers** Unmarried joint Borrowers who meet at least two of the three criteria below may be treated as spouses for determining compliance with the trade line requirements: • Reside together for at least two years, • Hold at least one joint trade line, and • Jointly hold asset accounts
Credit Scores Used for Underwriting	The lowest middle score(s) is the qualifying credit score for underwriting purposes.

Credit Re-Scores	Once the credit report is obtained and while it is still within the validity period, a credit re-score for the Borrower(s) will only be permitted for the following cases: • The receipt of new information to address and correct item(s) that have been deemed to be erroneous • Pay down of existing debts • Payoff of existing debts • The removal of a disputed account A re-score of the report, still within the validity period, is NOT permitted for the following reasons: • Addition of new debt (for purposes of potentially increasing the score) • Disputing a derogatory account or any account that was not already disputed a the time of the original credit report Sellers must review the credit report for new accounts opened within sixty (60) days of the credit report, to determine if a re-score may have occurred. The credit report is not considered valid is there is an open derogatory dispute. All derogatory disputes must be resolved and an updated credit report received before the loan can close. Once a credit report expires, it is no longer considered valid and a new report is required. The new report is NOT considered a re-scored account.
Credit Inquiries	Careful consideration must be given to determine if numerous inquiries reported on the credit report require an explanation from the borrower and/or an investigation to determine if any new credit obligations resulted from the inquiries. A letter of explanation must be requested for inquiries appearing on the credit report when there is not a recently established trade line reflected in the file. If a new account resulted from the inquiry, it must be verified, and the obligation included in the qualifying debt ratio calculation.
Housing Payment History	The housing references provided or listed on credit may not exceed 0x30x12 in the aggregate, or 1x30x12 with applicable pricing adjustment. Any housing lates in the last 12 month that resulted in a Significant Derogatory Credit Event are permissible subject to the requirements outlined below and may be subject to a price adjustment. • Housing Payment History includes all financed properties. • Payment histories less than 12 months are not allowed (no exceptions). Rental History The most recent 12 months' consecutive cancelled checks (front and back) along with a copy of the lease must be provided. Private VORs are not acceptable. Mortgages/HELOCs If a borrower has a mortgage from an institutional lender not reporting on credit, a fully signed and completed VOM may be utilized. If a borrower has a private mortgage, the most recent 12 months' consecutive cancelled checks (front and back) along with a copy of the note must be provided.
Payment Shock	No Payment Shock limitations
Residual Income	Not Required
Significant Derogatory Credit Events	Borrowers who have completed any of the below within the four years preceding the application date are not eligible for financing under DSCR Plus. • Foreclosure • Short Sale • Deed in Lieu of Foreclosure • Short Payoff • Bankruptcy (any chapter, either dismissed or discharged and includes Borrowers currently in bankruptcy proceedings) • Pre-foreclosure including Lis Pendens or Notice of Default where the borrower is currently delinquent (NOD is not considered a significant derogatory credit event if payments are up-to-date). • Modification (regardless of seasoning, borrowers who have completed a modification are restricted to a minimum 720 FICO and may not have any additional credit events following the modification)

	Multiple Derogatory Credit Events
	Borrowers with multiple significant unrelated derogatory credit events are not eligible for DSCR Plus.
	
	Mortgage Tradelines in Forbearance
	Borrowers who had one or more mortgage trade lines placed in forbearance must meet one of the below requirements:
	• If all payments are made as originally scheduled during the forbearance period with no payments missed, the account(s) in question must be reinstated prior to application, but there is no waiting period.
	• If one or more payments on one or more accounts missed due to forbearance, then the account in question must be reinstated and three (3) monthly payments must be made as scheduled after completion of the forbearance period and prior to the application date. A borrower may have missed more than three (3) payments during the forbearance period and/or have the missed payments be added onto the loan's unpaid balance and still be eligible under this guideline, provided the requirements listed here are met.
	  o If the borrower cannot document the three (3) monthly payments made after forbearance completion, the loan is not eligible.
	  o For Investor Cash Flow transactions, non-covid forbearances are allowed only on a case-by-case basis. A letter of explanation must be submitted to the product team for approval.
	Non-Mortgage Tradelines in Forbearance
	Any non-mortgage trade line in forbearance may remain in forbearance, however the payment must be included in the Borrower's DTI ratio.

Reestablished Credit	After a bankruptcy, foreclosure, deed-in-lieu of foreclosure, or other significant derogatory credit event, the borrower's credit will be considered reestablished if all the following are met: • The waiting period and related additional requirements are met • The minimum credit score requirements based on the loan parameters and established eligibility requirements are met • The borrower has traditional credit. Non-traditional credit is not acceptable. The borrower will be considered as having acceptable reestablished credit if the credit report is free of late payments in the previous 24 months, and the borrower has at least three (3) traditional credit references with activity during the most recent 24 month period.
Judgement/Tax Lien	Any liens (federal tax liens, mechanic's liens, etc.) or judgements must be paid-off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar liens are to be subordinated or paid off. HERO liens must be paid.
Collections/Charge-Offs	Open adverse credit must generally be paid off prior to or at closing, however if an individual account balance is under $250 and the aggregate of accounts outstanding is under $1,000 it may remain open. Any collections or charge off's greater than this amount may remain open provided they do not and may not affect title. Otherwise they must be paid off. Medical collections may remain open regardless of amount.
Disputed Accounts	Any disputed accounts on a borrower's credit report within the last two years prior to credit report date require additional due diligence. When an account in dispute is a collection account and the balance is less than or equal to $250, the dispute may remain open. Otherwise, the following guidelines must be adhered to: • Account with zero balance and no derogatory information in the two years preceding the credit report date – no action required • Account with zero balance and derogatory information in the two years preceding the credit report date - remove and pull new credit report • Account with a positive balance and no derogatory information in the two years preceding the credit report date – no action necessary • Account with a positive balance and derogatory information in the two years preceding the credit report date – remove and pull new credit report

	Note: A credit supplement is not allowed to document disputed accounts. A new report must be pulled.
Other Derogatory Credit	Any derogatory credit on a borrower's credit report in the last 12 months not otherwise addressed must be acceptably explained by the borrower. Any patterns of delinquent credit outside of the 12-month period must be explained by the borrower.
Credit Counseling	Borrowers who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future. Whether borrowers have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the borrower's credit history that is of primary importance. The existence of credit counselling on a file does not preclude financing under standard terms.
Public Record Search	The Seller is responsible for verifying all existing public records to ensure that are no outstanding judgements or liens against all borrowers. The seller needs to include its public record search findings along with documentation to clear any alerts raised in its file.

APPRAISAL, PROPERTY, TITLE & INSURANCE	
Appraisals	All transactions require a new appraisal. All loans shall have an appraisal performed by an independent unbiased appraiser as part of the credit decision making process. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. Appraisals must be completed on the appropriate form and include proper documentation, and legible exterior / interior photos including but not limited to all bedrooms and bathrooms. Changes or alterations made to an appraisal (including value estimate) must be completed by the original appraiser. The appraisal must be ordered in a manner compliant with Dodd-Frank's AIR requirements and with the Seller as the intended user. Homebridge will permit the use of previously completed report(s) provided all other requirements of this section including regulatory compliance are met. *Transferred Appraisals* For each transferred appraisal, the following criteria must be met: • A copy of the appraiser's current license, to be independently verified by the Seller. • A copy of the appraiser's current E&O Policy with sufficient coverage name the appraiser as insured. • The AIR certificate confirming compliance with Dodd-Frank AIR requirements. • The AMC's business license must be independently verified by the Seller. • An Automated Valuation Model (AVM) within a 10% variance and an acceptable confidence score. Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to the borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier. **Number of Appraisals Required** The table below addresses the number of appraisals for a file. Any requirements per regulation (such as HPML) supersede this requirement. **Appraisal Requirements** **Loan Amount** — **Requirement** ≤ $1,500,000 — One (1) full appraisal **Age of Appraisal** As of the date of closing, the appraisal report(s) may not be more than 120 days old. A recertification of value is acceptable to extend the expiration date of the report provided the original report is not more than 180 days old as of the date of closing. **Determining Collateral Value** Collateral valuations impact the determination of the loan-to-value ratios, as well as approval and identification of exceptions. Loans wherein the best usage is as a "tear down and replace" are not eligible. The methods for determining collateral value are different for purchase versus refinance transactions (see below). In instances where two full appraisals are completed, utilize the lower of the two. *Purchase Transaction* The collateral value is based upon the lesser of the sales price (minus concessions or excess contributions) or the appraised value (supported by a Secondary Valuation – see below chart for details). *Rate/Term Refinance Transactions* The current value may be used provided the value is supported both by appraisal and a Secondary Valuation (see below chart for details) *Cash-Out Refinance Transaction*

For properties owned six months or longer (Deed Date to Note Date), the current value may be used provided the value is supported both by appraisal and a Secondary Valuation (see below chart for details).

For properties owned less than six months (Deed Date to Note Date), the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraisal value (supported by a Secondary Valuation – see below chart for details).

- Proof of improvements are required
- Proof of purchase price is required as evidenced by the final Closing Disclosures (CD) from the property purchase

Secondary Valuation Waterfall

Transferred Appraisal		
Transaction Type	**If:**	**Then:**
All	One or more appraisals were transferred	An AVM is required: - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable. - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
	No appraisals were transferred	Proceed to *Two Appraisals*
Two Appraisals		
Transaction Type	**If:**	**Then:**
All	The transaction requires two appraisals	No further action is required
	The transaction requires one appraisal	Proceed to *Rapid Appreciation*
Rapid Appreciation		
Transaction Type	**If:**	**Then:**
Refinance Transactions	**Rate/Term Refinance** The property is owned <6mo (Deed Date to Note Date) and value has appreciated >25%	An AVM is required: - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable. - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
	Rate/Term Refinance - The property is owned <6mo (Deed Date to Note Date) and value has appreciated ≤25% **Rate/Term and Cash Out** - The property is owned ≥6mo (Deed Date to Note Date)	The property is not subject to Rapid Appreciation. Proceed to *One Appraisal*.
Purchase Transactions	The seller acquired title <6mo ago (Deed Date to Contract Date) and value has appreciated >25%	An AVM is required: - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable.

			- If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
		- The seller acquired title <6mo ago (Deed Date to Contract Date) and value has appreciated ≤25% - The seller acquired title ≥6mo ago (Deed Date to Contract Date)	The property is not subject to Rapid Appreciation. Proceed to *One Appraisal*.
	One Appraisal – 1-Unit Properties		
	Transaction Type	**If:**	**Then:**
	All Transactions	The CU **or** LCA score is <=2.5	No further action is required

		The CU **and** LCA score are >2.5:	A CDA is required and the following applies:
			- If the CDA variance is <= 10% of the appraised value, the appraisal is acceptable.
			- If the CDA Variance is >10%, then an AVM is required:
			  - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable.
			  - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then the LTV is determined as follows:
			    • **Purchase:** Lesser of sales price or AVM
			    • **Rate/Term:** AVM value
			    • **Cash-Out owned ≥ 6mo to <12mo:** AVM Value

	One Appraisal – 2-4 Unit Properties | CU/LCA Score Not Received		
	Transaction Type	**When:**	**Then:**

	All Transactions	- The property is 2-4 Units, **or**
		- CU/LCA Score Not Received
			A CDA is required and the following applies:
			- If the CDA variance is <= 10% of the appraised value, the appraisal is acceptable.
			- If the CDA Variance is >10%, then an AVM is required:
			  - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable.
			  - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then the LTV is determined as follows:
			    • **Purchase:** Lesser of sales price or AVM
			    • **Rate/Term:** AVM value

				• **Cash-Out owned ≥ 6mo to <12mo:** AVM Value
Condominiums & PUDs	All condominium and PUD properties must be compliant with agency guidelines. **Note:** The project must remain eligible up until the time Homebridge purchases the loan.			
Non-Warrantable Condos	Non-warrantable condominiums are eligible based on the following characteristics. See Credit Matrices for FICO/LTV restrictions. *Commercial Space* Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA. *Completion Status* The project, or the subject's legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract. *Delinquent HOA Dues* No more than 25% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees. *Investor Concentration* Investor concentration in project up to 70%. *HOA Control* The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period. *HOA Reserves* HOA Budget must include a dedicated line item allocation to replacement reserves of at least 8% of the budget. *Litigation* Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted. *Mandatory Memberships / Recreational Leases* Mandatory memberships (such as gold memberships, beach clubs, and dining memberships) and recreational leases are eligible. Membership fees must be included in the DTI, must not affect the marketability of the unit, and a minimum of 2 or more similar sales comps is required. *New Projects* The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract. Must meet FNMA Presale requirements. *Single Entity Ownership* Single entity ownership in project up to 30%. *Safety, Soundness, Structural Integrity, and Habitability* The project's buildings and common areas must meet FNMA requirements for Safety, Soundness, Structural Integrity, and Habitability			

	Master Property Insurance The master property insurance policy must meet FNMA requirements. Florida Condominiums must meet the Florida Condominium Overlays Non-Warrantable condos are not eligible for Foreign National borrowers.
Appraisal Management Companies (AMC)	The Seller must be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser or AMC. A TPO may not have any involvement in selecting, retaining or providing payment to the appraiser or the AMC. Homebridge will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by the borrower or any other third party (including Mortgage Brokers, Loan Originators, and real estate agents). Refer to the FNMA AIR FAQ document for additional information.
Acreage	A maximum of five (5) acres is allowed; must be typical for the area and value/marketability is supported with appraisal comparables of similar acreage.
Agriculturally Zoned Properties	Agriculturally Zoned Properties are ineligible.
Rural Properties	Rural properties are not eligible for DSCR Plus Non-QM.
Mixed Use Properties	Mixed Use properties are not eligible for DSCR Plus Non-QM.
Unpermitted Additions	Unpermitted additions to a subject property should not be included in the overall square footage of the subject in the appraisal report. In order to include the unpermitted addition, the proper permits must be acquired, and evidence that the addition is covered by an acceptable homeowner's insurance policy would be required.
Deferred Maintenance	Minor items of deferred maintenance are acceptable, provided the appraiser does not state that they represent a health and safety hazard. If appraisal is marked as "subject to" rather than "as is" then the required work must be completed prior to closing.
Escrow Holdbacks	Escrow holdbacks are not eligible for DSCR Plus Non-QM.
Properties with Security Bars	Security Bars on windows are a potential safety issue that must be addressed prior to closing. Security bars must comply with local fire codes and meet one of the following conditions: There must be a "Quick Release" on at least one window in each bedroom. Appraiser must comment on whether or not security bars meet local codes and whether or not there are safety release latches installed and provide photos of the release latches, or all bedrooms must have adequate egress to the exterior of the home. Appraiser must provide comments.
Deed Restricted Properties	Deed-restricted properties are not eligible for DSCR Plus Non-QM, with the exception of properties that meet Fannie Mae age-related deed restriction requirements and properties with deed restrictions specific to developer land-use or building code requirements for a subject development.
Leasehold Properties	Leasehold properties are not eligible for DSCR Plus Non-QM.
Land Contracts	A mortgage transaction where the proceeds are used to pay the outstanding balance under a recorded land contract or contract for deed is not eligible for DSCR Plus Non-QM.
Recently Listed for Sale	**All Refinances**: Properties listed for sale within the last 6 months are ineligible.
Declining Markets	In the event an appraisal indicates a property is in a declining market, a 5% LTV reduction will be applied to loans >65% LTV.

Property Flips	When the subject property is being resold within 365 days of its acquisition by the seller and **the sales price has increased more than 10%**, the transaction is considered a "flip". To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used. Flip transactions are subject to the following requirements: • All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction. • No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan. • The property was marketed openly and fairly through a multiple listing service (MLS), auction, for sale by owner offering (documented), or developer marketing. • No assignments of the contract to another buyer. • If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.

Title Vesting - Borrower Ownership Interest	Borrowers may hold title as follows:
	• Fee Simple – Vesting in the name of the individual(s)
	    ○ **NOTE**: Title held as tenants in common requires the ownership percentage to be equal
	• Non-Borrowing Spouse – All applicable state laws regarding waiving any property rights must be followed when the transaction involves a non-borrowing spouse with an interest in the property.
	• All individuals signing the loan application are considered borrowers, and all borrowers must sign the Note.
	• Additional individuals on the Settlement Statement/Closing Disclosure (CD) are not required to sign the Note (applicable state laws apply).
	• Title must be in the borrower's name at time of closing
	
	<u>Refinance Transactions</u>
	• Title to the subject property must be in the borrower's name at the time of application, with the exception of an Inter Vivos Revocable Trust or a Limited Liability Company (LLC)
	• Inter Vivos Revocable Trust
	    ○ Title may be held in the name of an inter vivos revocable trust when the borrower is the primary beneficiary and Trustor (or Settler) of the Trust
	• Limited Liability Company (LLC)
	    ○ Title held by an LLC that is majority owned by the borrower, must meet continuity of obligation requirements
	Title held by an LLC only eligible when a deed is executed at closing to change vesting from LLC to borrower's name.
	
	Blind Trust
	Blind trusts are not an eligible form of vesting for DSCR Plus Non-QM.
	
	Land Trusts
	Land trusts are not an eligible form of vesting for DSCR Plus Non-QM.
	
	Limited Liability Companies ("LLC") and Corporations
	Domestic LLC's and Corporations are eligible subject to the requirements below.
	• Investment property transactions only
	• Must be legal in the state in which the LLC/Corporation is being formed
	• ~~LLC/Corporation must be formed in the same state where property is located~~
	• LLC/Corporation must have been created to manage rental properties only
	• Title may be held in the LLC/Corporation; however, the loan application must be made in the individual borrower's name.

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All borrowers must sign the Deed of Trust/Mortgage as individuals and as authorized signors of the LLC/Corporation, therefore the debt will be reported on the borrower's individual credit report.
No more than four (4) owners for an LLC/Corporation.
Members of the LLC/Corporation must be beneficial owners of the property
The operating agreement must provide the term of the LLC and the members authorized to encumber the LLC as guarantors
Organizational meeting minutes may be required if the operating agreement does not clearly identify the powers of the managing partners.
All owners of the LLC/Corporation (no more than four) are borrowers on the transaction.

Documentation Requirements:

Articles of Organization or Articles of Incorporation or equivalent
Operating Agreement (for LLC only)
By-Laws, including all amendments (for Corporation only)
Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address
SS-4 Form listing tax ID Number
Certificate of Good Standing from the applicable Secretary of State's office (print out from sec of state website not acceptable), dated within 60 days of the note date.

Partnerships
Vesting in the name of a partnership is not eligible.
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<tr><td>Title Insurance</td><td>The subject property must be covered by a title insurance policy or other approved form of title evidence issued by a title insurer acceptable to Fannie Mae/Freddie Mac.</td></tr>
<tr><td>Hazard & Flood Insurance</td><td>Click here for the Homebridge Insurance Requirements Quick Reference Guide.</td></tr>
<tr><td>Catastrophic Insurance</td><td>In specific geologic locations, catastrophic events may occur on a more regular basis. If the subject property is located within these areas, additional insurance may be required.
Examples of catastrophic insurance are:

Hurricane Insurance,
Earthquake Insurance, and
Lava Insurance

Earthquake insurance is required if the appraisal report or any other document (survey or title work) indicates the subject is located on or in close proximity to a fault or seismic study area. If no mention is made regarding earthquake exposure, insurance should not be required. The maximum insurance deductible allowed is 10%.

Homebridge does not escrow for Earthquake Insurance. Borrowers should be advised to make arrangements to pay their premiums, policy changes, etc. directly with the insurance company who issued the policy. Funds should not be collected at closing and should not be included as part of the escrow.
Note: Earthquake coverage/insurance that is bundled/included in the homeowner's insurance policy is permitted.

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