Non-QM: Prime DSCR Program

Transaction types	Purchase / Rate and Term / Cash out Refinance	
Occupancy	Investment Property (Business Purpose)	
Minimum Loan Amount	LTV <= 75%: $125,000 LTV > 75%: $200,000	
Maximum Loan Amount	$2,000,000	
Minimum Required FICO	660	
Maximum DTI	Not Applicable	
Housing Payment History	0x30x12	
Income Documentation type	Income is determined by subject property rent (Lease agreement, Form 1007)	
DSCR	DSCR = Gross Rents / PITIA (fully amortizing) or Gross Rents / ITIA (interest only loans)	
Minimum Allowed DSCR	0.75x *Refer to the eligibility matrix for details	
Waiting Period Requirement	Chapter 7 Bankruptcy	36 months
	Chapter 13 Bankruptcy	36 months
	Housing Event (Foreclosure/DIL/Short Sale)	36 months

Product Code

Product Code	Product Description
SUNNPM0416	NON-QM: Prime DSCR: 5 YR PPP
SUNNPM0417	NON-QM: Prime DSCR: 4 YR PPP
SUNNPM0418	NON-QM: Prime DSCR: 3 YR PPP
SUNNPM0419	NON-QM: Prime DSCR: 2 YR PPP
SUNNPM0420	NON-QM: Prime DSCR: 1 YR PPP
SUNNPM0421	NON-QM: Prime DSCR: NO PPP

Loan Purpose	• Purchase • Rate & Term Refinance* • Cash-Out Refinance *On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or $5,000.
Occupancy	• Investment Property – Business purpose
Eligible State	• All states except AK, MA, HI (lava zones 1 & 2 ineligible), Puerto Rico, American Samoa, Guam, Northern Mariana Islands, US Virgin Islands. • An investment property loan in Baltimore city (Maryland) is not allowed.
CEMA transaction	• CEMA transactions are not allowed on purchase transactions.
Amortization Term	• Fixed: 15 years or 30 years Fixed, 30 years fixed IO
Interest only	• 30-year interest only term is allowed with fixed rate amortization type only. • Minimum DSCR required is 1.00x. • DSCR calculation: Gross Income divided by ITIA of the subject rental. • Interest Only feature is available with 10 years I/O period with 30 years amortization terms. The loan must be amortized over the remaining term after the Interest Only period.
Eligible Properties	• Attached / Detached SFRs • 2–4-unit property • PUD • Warrantable Condo • Non-Warrantable condo • Note: Property acreage should not exceed 20 acres.
Eligible Borrowers	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Alien (with US Credit only) • Inter vivos Revocable Trusts
Ineligible Borrowers	• Irrevocable Trust • Land Trust • Blind Trust • Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services • Persons from OFAC sanctioned countries and persons sanctioned by OFAC • Not-For-Profit entity • ITIN borrowers • Foreign Nationals • 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.

Prepayment Penalty

- Prepayment penalties are allowed on investment loans as permitted by law.
- **Acceptable Pre-payment structure:**
  - Six months of interest - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance except as otherwise noted below. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in each 12-month period. Prepayment charge is not permitted after five (5) years following the execution date of the Note; or
- **The following state restrictions are applicable:**

States	Restrictions
IL, KS, MI, MN, NM, OH, RI, MD, VT and NC	Prepayment penalties are not allowed.
DC	Within 3 years from consummation, no prepayment charge or penalty is permitted which exceeds an amount equal to 2 months advance interest on the aggregate amount of all prepayments in excess of 1/3 of the amount of the original loan or financial transaction made in any 12-month period
MS	Only declining prepayment penalty structures are allowed in MS. Max limits: (i) 5% of the unpaid principal balance if prepaid during the first year; (ii) 4% during the second year; (iii) 3% during the third year; (iv) 2% during the fourth year; (v) 1% during the fifth year; (vi) No penalty if prepaid more than 5 years from the date of the note creating the debt.
NJ	Prepayment penalties are not allowed on loans vested to individuals in NJ. The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period.
PA	Prepayment penalties are not allowed on loan balances less than or equal to $329,411. Loans secured by three and four-unit properties, a prepayment penalty is permitted regardless of loan amount.

Maximum number of borrowers

- The maximum number of borrowers allowed per loan is four (4).

Compliance

- Total Points and Fees must be less than 5%
- Compliance with all applicable Federal and State regulations
- Section 32 or state high-cost loan is not allowed

Escrow

- Flood insurance must always be escrowed.
- Escrow funds/impound accounts may be waived for taxes and hazard insurance if all of the following requirements are met:
  - Credit score on the loan is > 700; and
  - At least twelve months reserves (cash out proceeds allowed) are documented.

Experienced Investor

- An experienced investor is an individual borrower who has a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 months anytime during the most recent 12-month period.
- For files with more than one borrower, only one borrower must meet the definition.
- Ownership history must be documented for other REO with one of the following:
  - Other 3rd party documentation (e.g. Fraud Guard, Settlement statement, closing disclosure).
  - A lease agreement that has been in effect for at least 12 months.
  - 12 months of rental receipts
  - 12 months short term rental remittance statements

First Time Investor

- First-Time Investor is any borrower who does not have a history of owning and managing a rental property for 12 months in last 3 years prior to note date.
- First Time Investors are eligible subject to the following restrictions:
  - Minimum credit score: 700
  - DSCR >=1.00
  - All borrowers must currently own and be obligated on a mortgage for at least 1 primary or second home in the United States for 12 months.
- Refinance transactions are allowed when the subject property was acquired within the last year or has been vacant due to recent renovations. For renovations, the appraisal must support the fact that recent work has been completed and provide visual evidence.

First Time Home Buyer (FTHB)

- First time home buyers are not allowed.
- A First-Time Home Buyer is defined as a borrower who had no ownership interest in a residential property in the United States during the preceding 3-year period.

Maximum Loan Amount

- Up to $2,000,000

Maximum DTI Ratios

- Not Applicable

Eligibility matrix for >=0.75 but <1.00

Minimum DSCR	Property type	Credit score	Minimum loan amount	Maximum loan amount	Maximum Purchase LTV/CLTV	Maximum Rate and Term refinance LTV/CLTV	Maximum Cash out refinance LTV/CLTV
>=0.75 < 1.00	1-4 units, PUD, condo (warrantable or non-warrantable condos)	660-679	$125,000	$1,000,000	60%	60%	60%
		680 - 699	$125,000	$1,000,000	70%	70%	60%
		700 and above	$125,000	$1,500,000	70%	70%	65%

- **The following additional overlay will be applicable:**
  - First time investor is not eligible.
  - Interest only transaction is not allowed.
  - Gift funds are not allowed.
  - Short term rental income is not allowed.

Eligibility matrix for DSCR >=1

- **Purchase and Rate and Term Matrix:**

Property type	Credit score	Minimum loan amount	Maximum loan amount	Maximum Purchase LTV/CLTV	Maximum Rate and Term refinance LTV/CLTV
1-4 units, PUD, condo	660-679	$125,000	$1,000,000	65%	65%
1-4 units and PUD	680 and above	$125,000	$199,999	75%	75%
1-4 units and PUD	680 and above	$200,000	$1,000,000	80%	75%
Condo	680 and above	$125,000	$1,000,000	75%	75%
1-4 units, PUD, condo	660-679	$1,000,001	$1,500,000	65%	65%
1-4 units, PUD, condo	680 - 699	$1,000,001	$1,500,000	70%	70%
1-4 units, PUD, condo	700-719	$1,000,001	$1,500,000	75%	75%
1-4 units and PUD	720 and above	$1,000,001	$1,500,000	80%	75%
Condos	720 and above	$1,000,001	$1,500,000	75%	75%
1-4 units, PUD, condo	680 - 699	$1,500,001	$2,000,000	65%	65%
1-4 units, PUD, condo	700-719	$1,500,001	$2,000,000	70%	70%
1-4 units, PUD, condo	720 and above	$1,500,001	$2,000,000	75%	75%

- **Cash out refinance Matrix:**

Property type	Credit score	Minimum loan amount	Maximum loan amount	Maximum Cash out refinance LTV/CLTV
1-4 units, PUD, condo (warrantable or non-warrantable condos)	660-699	$125,000	$1,000,000	65%
1-4 units, PUD, condo (warrantable or non-warrantable condos)	700 -719	$125,000	$1,000,000	70%
1-4 units, PUD, warrantable condo	720 and above	$125,000	$1,500,000	75%
Non-warrantable condo	720 and above	$125,000	$1,500,000	70%
1-4 units, PUD, condo (warrantable or non-warrantable condos)	740 and above	$1,500,001	$2,000,000	70%

Declining Markets

- The appraisal report identifies the property as a declining market, then maximum LTV/CLTV per eligibility matrix is reduced by 5%.

Maximum Cash Out Amount

LTV/CLTV	Maximum cash out refinance
LTV/CLTV <=60%	$1,000,000
LTV/CLTV > 60%	$500,000

Reserves

- Minimum 6 months reserve is required on the loan.
- Net cash out proceeds after deducting the debts to be paid off, prepaids and applicable closing costs may be used to meet reserve requirements.

Vesting and ownership

- Acceptable forms of vesting with Fee Simple ownership are:
  - Individual
  - Joint Tenants
  - Tenant in Common
  - Business entity – Acceptable on Investment property with Business purpose transaction only.
    - Limited Liability Company
    - Corporation
    - Vesting in the name of partnership is not allowed.

Evidence of Primary Residence

- All borrowers must own a primary residence. Evidence of primary occupancy is required.
- The proof of ownership for the primary residence is required.
- The primary residence must meet one of the following:
  - Must be superior in value and/or appeal to subject property. The property must not be superior in value only due to the subject property being in a resort area or a 2-4 -unit property.
  - Has been owned for 3 or more years prior to application date.

Credit score

- Each borrower must have a minimum of two FICO scores.
- All applicant(s) and co-borrowers must meet the credit score requirements individually.

Rescore/Repull

- Only one rescore credit is allowed.
- The credit report may be re-pulled in the event one of the following scenarios occurs:
  - Suspected Fraud
  - Addition or Removal of an applicant
  - Errors/inaccuracies, including disputed accounts
  - Payoff of Debt
  - Updates as requested by the underwriter

Non-traditional credit

- Not allowed.

Minimum Trade-line to establish credit history

- All borrowers must meet the minimum tradeline requirements as follows:
  - A minimum of three (3) current tradelines reporting on the credit report for at least 24 months or more; and at least one (1) of these must be open and active for the last 12 months.
- The following are not acceptable to be counted as tradelines:
  - "non-traditional" credit as defined by Fannie Mae
  - collection accounts
  - self-reported tradeline
  - any liabilities in deferment status
  - foreclosures
  - deed-in-lieu of foreclosure
  - accounts discharged through bankruptcy.
  - short sales
  - authorized user accounts

	○ pre-foreclosure sales ○ charge-offs
Land contract/Contract for deed	• Paying off land contracts or contracts for deed is not acceptable.
Continuity of obligation	• Any of the following continuity of obligation requirement must be met for the refinance transaction if there is currently an outstanding lien: ○ There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan that is being refinanced. ○ The borrower has been on title and residing in the property for at least six (6) months and has either paid the mortgage for the last six (6) months or can demonstrate a relationship (parent, spouse, domestic partner, sibling, etc.) with the current obligor. ○ The borrower has recently inherited or was legally awarded the property (divorce, separation). ○ The existing loan being refinanced, and the title have been held in the name of a natural person or a limited liability company if the borrower was a member of the limited liability company prior to transfer. The loan must have been transferred out of Limited Liability Company prior to application.
Rate and term refinance	• At least one borrower must have ownership interest (vested on title) in the subject property at the time of the initial application. • Paying off a privately held CEMA is not allowed. • A property owned free and clear by the borrower is not eligible for Rate/Term Refinance. • The borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or $5,000. • For rate-term refinances, the loan amount is limited to the sum of the following: ○ Existing first mortgage payoff, closing costs, fees, and any prepaid items. ○ Any subordinate financing which was used to acquire the subject property. ○ Any subordinate financing that was not used to purchase the subject property provided: ○ For closed end seconds, the loan is at least one (1) year seasoned as determined by the time between the note date of the subordinate lien and the application date of the new mortgage, or ○ For HELOCs and other open-ended lines of credit, the loan is at least one (1) year seasoned and there have been less than $2,000 in total draws over the past 12 months
Cash out seasoning and ownership requirement	• At least one borrower must have been on title for at least six months prior to the note date of the new mortgage. Inherited property must also need to be met this requirement. • A property owned free and clear by the borrower will be considered as Cash out refinance transaction. • The following seasoning requirements apply to cash-out transactions: ○ Acquisition to cash out refinance ▪ If an existing first mortgage is being paid off through the transaction, it must be at least 6 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. ▪ If the existing first lien mortgage was modified and the modification resulted in a new Note Date, the required seasoning starts from the new Note Date. ○ Refinance to cash out refinance ▪ If an existing first mortgage is being paid off through the transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan.

- If the existing first lien mortgage was modified and the modification resulted in a new Note Date, the required seasoning starts from the new Note Date.
- If the existing first lien is seasoned less than 12 months but greater than 6 months, then the prior closing disclosure (CD) is required to verify the seasoning time frame and to verify if the previous refinance was a rate term or cash-out transaction. The following requirement must be met if seasoned for less than 12 months but greater than 6 months:

Prior Transaction	Requirements
If the prior transaction was a rate term transaction	• Minimum 6 months seasoning requirements are met. • Ownership of the Property requirements are met.
If the prior transaction was a cash out refinance	• The 12 months seasoning may be reduced to 6 months if the appraisal provides evidence of improvements completed on the subject property in the most recent 12 months. • A 5% LTV reduction from the max LTV/CLTV eligibility matrix. • All comparable must have similar quality ratings. • Ownership of the Property requirements must be met.

Delayed financing

- Delayed financing must be reviewed as per Fannie Mae guidelines however loan needs to be considered as a rate term refinance transaction.

LOE requirement for cash out refinance

- A signed letter of explanation from the borrower stating the purpose of the cash-out is required on the loan.
- The explanation must be detailed enough to verify that cash out proceeds will be used for business (e.g., acquisition/maintenance/improvement of rental properties, capital investment in or working capital to support a business) purposes.
- Cash out received on a Business Purpose loan must be used for business purposes.

Properties listed for Sale

- Properties listed for sale in the last six (6) months are not eligible for a refinance transaction.

  Please note: The timeframe is measured from the date the property was no longer listed or offered for sale to the application date of the current transaction.

Age of Document Requirements

Document	Validity
Credit report/VOR/VOM	120 days old at the time of closing (Note date)
Asset documentation	120 days old at the time of closing (Note date)
Appraisal	120 days old at the time of closing (Note date). After 120 days an appraisal update will be required. The original appraisal cannot exceed 180 days

Approval Type

- Manual underwriting only

Bankruptcy and Housing Event waiting Period

Waiting Period matrix	
Chapter 7 Bankruptcy	36 Months
Chapter 13 Bankruptcy	36 Months
Housing Events	36 Months
Forbearance, loan modifications, deferrals (excluding Covid-19 related events)	36 Months
Multiple derogatory event	84 months

Notes:
1. The waiting period is measured from the month and year of discharge to the note date.
2. A 'Housing Event' is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), pre-foreclosure, foreclosure (FCL), non-COVID or disaster Forbearance, Notice of Default (NOD), or 120-day mortgage late payment.

Written explanation	• A signed and dated written explanation is required from the borrower for the significant derogatory events such as judgments, liens, charge-offs, collections, housing events or bankruptcy etc.
Housing Late	• The 12 months mortgage history on both the borrower's primary residence and the subject property [if subject property is a refinance transaction] are required. • Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history requirements and must be current. • No lates are allowed in the recent 12 months (0X30X12).
VOM completed by a private party	• Any VOM completed by a private party, or interested party must require most recent 12 months of cancelled checks or bank statements on the loan.
Debt to be paid off at closing in case of cash out refinance loan	• If the primary use of subject property is Business purpose, then only business-related debt can be paid off from the loan proceeds. Borrower's personal debt can't be paid off from the proceeds.
Judgment / Tax Lien	• All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.
Lawsuit Pending and Litigation	• If the application, title, or credit documents indicate the borrower is involved in a lawsuit or litigation, the borrower is not eligible.
Collections and charge offs except medical accounts	• Individual collection and non-mortgage charge-off accounts equal to or greater than $250 and accounts that total more than $1,000 must be paid in full prior to or at closing.
Open 30-day charge account	• Borrower must have additional funds over and above required as per reserve matrix to cover the open 30-day charge account balance.
Past due accounts	• All past due accounts (revolving and instalment) must be brought current prior to or at closing.
Assets	• The most recent month statement or the most recent quarterly statement is required.
Access letter requirement	• If the bank account is jointly held with non-borrower parties (excluding a non- borrower spouse) then a written statement is required from parties that borrower has full access and use of the funds.

Minimum borrower contribution	• **<u>Purchase transaction</u>**: Minimum 3% of the purchase price must be provided by the borrower from their own funds.
Gift Funds	• Gift funds are permitted for down payment and closing costs when all the following requirements are met: o Allowed only on purchase transactions o A minimum of 10% of the down payment must be provided by the borrower from their own funds. o Minimum DSCR required is 1. o Gift funds are not permitted for reserves.
Eligible Gift Donors	• A gift can be provided by: o borrower's spouse, child, or other dependent, or o any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or o A fiancé, fiancée, or domestic partner. • The donor must not be related to the builder, the developer, the real estate agent, or any other interested party to the transaction.
Business Assets	• Business funds may be used for downpayment, closing costs and reserve requirement when all the following requirements are met: o The borrower must be a sole owner of the business or other owner of the business can be non-borrowing spouse. o Documentation is required to validate borrower's ownership percentage. The same needs to be validated from business operating agreement, CPA/EA/CTEC or a tax preparer with a PTIN letter, or equivalent documentation. o The business funds must be sourced or seasoned for thirty days prior to application date. o A signed letter from the CPA is required to validate that the withdrawal of funds will not negatively impact on the business. o The available business funds must be multiplied by the borrower's ownership percentage to compute the business funds available for down payment, closing costs, and reserves. ▪ When the loan is vested in a name of entity and the entity funds are being used for down payment, closing costs and reserves, the 100% of the funds can be used if all other entity owners provide an access letter.
Unacceptable Source of Funds	• Cash-on-hand • Sweat equity. • Gift which must be repaid. • Down payment assistance programs • Bridge loans • Unsecured loans or cash advances • Section 8 Voucher Assistance • Paycheck Protection Program (PPP) Loans • Small Business Administration (SBA) Loans • Gift of Equity • Non-vested • Funds held in foreign accounts or investments • Pledged/Collateral assets stock • 529 or similar college fund • Vested and non-vested stock options and non-vested restricted stock • Grant funds • Employer Assistance Assets • Salary advance

	• Bridge loan from a Reverse 1031 exchange • Reverse mortgage • Seller real estate tax credit • Marijuana Related Business (MRB) Assets • Cryptocurrency
Unacceptable sources of reserves	• Gift funds • Proceeds from unsecured/revolving debt or cash advances such as credit cards • Proceeds from 1031 Exchange • Assets being used for dividend and interest income • Gift of equity • Cryptocurrency • Cash-on-hand • Sweat equity • Down payment assistance programs • Bridge loans • Unsecured loans or cash advances • Section 8 Voucher Assistance • Paycheck Protection Program (PPP) Loans • Small Business Administration (SBA) Loans • Non-vested funds • Funds held in foreign accounts or investments • Pledged/Collateral assets stock • 529 or similar college fund • Vested and non-vested stock options and non-vested restricted stock • Grant funds • Employer Assistance Assets • Salary advance • Bridge loan from a Reverse 1031 exchange • Reverse mortgage • Seller real estate tax credit • Marijuana Related Business (MRB) Assets
Subordinate Financing	• Not Allowed
Income Documentation	• There is no employment verification or income analysis required.

DSCR long term income documentation and income calculations	• **<u>For purchase transaction</u>**:
	    o FNMA Form 1007 or 1025 reflects long-term market rents.
	    o Executed Lease agreement if the property is currently tenant occupied.
	    o When the property has a current tenant who will continue to occupy the property, the transferred lease agreement from the existing tenant/landlord is required.
	
	• **<u>Income calculation for purchase transaction</u>**: The lower of the lease agreement amount or market rent from 1007/1025.
	• **<u>For all refinance transaction</u>**:
	    o FNMA Form 1007 or 1025 reflects long-term market rents.
	    o When the property is currently occupied by a tenant, an executed lease agreement. For month-to-month lease agreements, the most recent rental receipt must be documented.
	        ▪ If a new lease agreement has been executed, it must commence within 60 days after the note date and proof of receipt of security deposit is required.
	    o When the property is currently vacant, the market rent from 1007/1025 must be used to determine the monthly gross rent. Borrower must provide a letter of explanation for why the property is vacant.

	• **Income calculation for refinance transaction**: ○ The lower of the lease agreement amount or market rent from 1007/1025. ○ If the current rents are higher than the market rent, the rent mentioned in the lease agreement may be used with 3 months current proof of receipt of the higher rental income (not including the security deposit).
DSCR short term income documentation and income calculations	• The short-term rental income (such as Airbnb/VRBO income) can be used when below requirement are met: ○ The minimum DSCR ratio required is equal to or more than 1.00. ○ Purchase transaction is not allowed for short term rental income. ○ The property must be actively listed as a short-term rental. ○ 12 months of remittance history from Airbnb/VRBO is required. Remittance statements from the renting entity are required. ○ Minimum 12 months short term rental income history is required to be documented in order to consider the same for DSCR calculation. • **Income calculation**: DSCR would be considered based on average actual rental income calculated over 12 months.
Contribution by Interested Parties	**LTV** / **Interested party contribution**: LTV <= 80% — 6% LTV > 80% — 3%
Power of Attorney	• Power of Attorney is not allowed when vesting in the name of an entity or on a cash-out transaction
Non-Arm's length transaction	• Not Allowed
Lease with option to purchase	• Not allowed
Conflicts of Interest	• A conflict-of-interest transaction is not allowed. • A conflict of interest exists when the borrower has multiple roles in the transaction. ○ The borrower is the builder. ○ The borrower is loan officer on the transaction. ○ The borrower is listing and selling agent (borrower cannot be both). ○ The owner/principal of a mortgage brokerage or correspondent lender may not originate their personal mortgage with their own company. ○ The borrower cannot act in dual capacity (for example, borrower acting as broker/lender/appraiser/title company in the transaction). The borrower may act as the realtor as long as there is no other business affiliation. ○ The broker/loan officer cannot act in dual capacity (for example, broker/loan officer and realtor or broker/loan officer and any other affiliation within the transaction). ○ 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.
Personal Guarantee	• Personal Guarantee must be provided by all the owners/partners of the entity for loans titled in the name of an LLC, or S-Corp.
Maximum Number of Properties Financed	• A single borrower can have no more than 20 financed properties including subject property. All properties in which the borrower is personally obligated must be included in the maximum financed property. • Sun West's exposure to each individual borrower and/or household may not exceed $5M in current unpaid principal balance with a maximum of 10 loans (including the subject property).

Escrow Holdback

- Not allowed

Temporary Buydown

- Not allowed

Assumable

- Not Assumable

Property and Title Insurance

- All hazard insurance (homeowner's insurance) and title policies must meet Fannie Mae guidelines.
- The Hazard Insurance, HO-6 Insurance, Title Commitment and Closing Protection Letter must be dated within 60 days prior to Note Date.
- A 24-month chain of title is required.

Appraisal requirements

Loan amount	Appraisal requirement	CDA from Clear Capital required
Loan amounts =< $2,000,000	1 full appraisal	Yes
Loan amounts > $2,000,000	2 full appraisals	No

- Form 1007 must be included with the appraisal for both purchase and refinance Transactions on one-unit properties. If the property is a 2–4-unit, Fannie Mae form 1025 will be required.

Mortgage Insurance

- Not required

Foreign National

- Not Allowed, if at least one of the borrowers on the loan is Foreign National then loan to be considered as Foreign National.

Property Flipping

- The seller must be on title for a minimum of 90 days.
- If the property seller has owned the property between 91-180 days, then the following requirements are met:
    - The property seller must be the owner of record.
    - Loan must be an arm's length transaction.
    - When the purchase price exceeds 10% of the seller's acquisition price, the increase must be supported with commentary from the appraiser, market conditions, and comparable properties
    - If the appraisal commentary is not sufficient to support the increase and the increase is due to renovations, sufficient documentation (Receipts, building permits and/or signed contracts) to validate the actual costs to renovate, construct, etc. to support the 10% increase.
- Note: The time period must be measured from seller's acquisition date to purchase contract date of this transaction.

Requirements when vesting in the name of Entity

- Entity must be domiciled in a US state.
- All owners must be natural persons.
- Layered entities are not allowed.
- Title may not be vested in more than one Entity.
- Using the Power of Attorney (POA) is not allowed
- Any business structure is limited to a maximum of four owners/ partners.
- Personal guaranties must be provided by all the owners of the entity.
- Each owner must complete the initial application (Form 1003)
- For all transactions the percentage of ownership may not change within 90 days prior to application date.
- Vesting in the name of partnership is not allowed.

Documentation when vesting in the name of Entity	**<u>Limited Liability Company</u>** • Entity Articles of Organization, 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 • Certificate of Authorization for the person executing all documents on behalf of the Entity • LLC Borrowing Certificate **<u>Corporation</u>** • Filed Certificate/Articles of Incorporation (and all amendments) • By-Laws (and all amendments) • Certificate of Good Standing • 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
Ineligible Property Type	• Mixed used property • Property with multiple Accessory Dwelling Units (ADUs) • Vacant land or land development properties • Properties are not readily accessible by roads that meet local standards. • Properties are not suitable for year-round occupancy regardless of location • Agricultural properties include farms, ranches, orchards, vineyards, and equestrian facilities. • Manufactured, Mobile or Modular Homes • Fractional ownership • Co-op/timeshare hotels • Cooperative share loans • Boarding houses or bed/breakfast properties • Properties with zoning violations • Dome or geodesic homes • Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment) • Homes on Indian reservations • Log homes • Hawaii properties are located in lava zones 1 and/or 2. • Houseboats • Properties with acreage of more than 20 acres • Properties with ownership other than fee simple/leaseholds that do not meet FNMA Guidelines • Properties used for cultivation, distribution, manufacture or sale of marijuana. • Rural properties • Condotel • Barndominiums • Shouses • Pad split and Barn conversions • Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)