

## INVESTOR CASH FLOW PROGRAM 3, 9, 10

**PRODUCT DESCRIPTION:** Qualification is based on Debt Service Coverage Ratio (DSCR)– NO income, NO employment, NO DTI, just fair market rent covering the PITI 1:1. Needs 12 months landlord experience at any point in the borrower's life (doesn't have to be recent) confirmed by old lease or CPA letter. Rents are taken solely from 100% of the market rents on appraisal or leases that are in place. If leases are in place, use the lesser of the leases or market rents from appraisal.

THIS IS A QUICK GUIDE FOR THE INVESTOR CASH FLOW PROGRAM. REFER TO FULL GUIDELINES FOR ACCESS WHICH SUPERSEDE THIS DOCUMENT.

1-4 Unit Investment Property <sup>2,7,8</sup> DSCR >= 1.00				1-4 Unit Investment Property <sup>2,7,8</sup> DSCR >= .75				1-4 Unit Investment Property <sup>2,7,8</sup> DSCR < .75			
<=\$150,000 <sup>1</sup>				<=\$150,000 <sup>1</sup>				<=\$150,000 <sup>1</sup>			
FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>
740	80%	80%	75%	740	75% <sup>2</sup>	75% <sup>2</sup>	70%	740	75% <sup>2</sup>	75% <sup>2</sup>	65%
720	80%	80%	75%	720	75% <sup>2</sup>	75% <sup>2</sup>	70%	720	70%	70%	60%
700	80%	80%	75%	700	75% <sup>2</sup>	75% <sup>2</sup>	65%	700	65%	65%	60%
680	75%	75%	70%	680	70%	70%	60%	680	65%	65%	60%
660	75%	75%	70%	660	60%	60%	60%	660	60%	60%	60%
640	70%	70%	65%	640	N/A	N/A	N/A	640	N/A	N/A	N/A

  

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<=\$1,000,000				<=\$1,000,000				<=\$1,000,000			
FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>
740	80%	80%	75%	740	75% <sup>2</sup>	75% <sup>2</sup>	70%	740	75% <sup>2</sup>	75% <sup>2</sup>	65%
720	80%	80%	75%	720	75% <sup>2</sup>	75% <sup>2</sup>	70%	720	70%	70%	60%
700	80%	80%	75%	700	75% <sup>2</sup>	75% <sup>2</sup>	70%	700	65%	65%	60%
680	80%	80%	75%	680	70%	70%	65%	680	65%	65%	60%
660	75%	75%	70%	660	60%	60%	60%	660	60%	60%	60%
640	75%	75%	65%	640	N/A	N/A	N/A	640	N/A	N/A	N/A
620	65%	65%	65%	620	N/A	N/A	N/A	620	N/A	N/A	N/A

  

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<=\$1,500,000				<=\$1,500,000				<=\$1,500,000			
FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>
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720	80%	80%	75%	720	75% <sup>2</sup>	75% <sup>2</sup>	65%	720	65%	65%	60%
700	80%	80%	75%	700	75% <sup>2</sup>	75% <sup>2</sup>	65%	700	65%	65%	60%
680	80%	80%	75%	680	70%	70%	65%	680	N/A	N/A	N/A
660	75%	75%	70%	660	N/A	N/A	N/A	660	N/A	N/A	N/A
640	75%	75%	65%	640	N/A	N/A	N/A	640	N/A	N/A	N/A
620	65%	65%	N/A	620	N/A	N/A	N/A	620	N/A	N/A	N/A

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<=\$2,000,000 <sup>6</sup>				<=\$2,000,000 <sup>6</sup>				<=\$2,000,000 <sup>6</sup>			
FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>
740	80%	80%	75%	740	70%	70%	60%	740	N/A	N/A	N/A
720	80%	80%	75%	720	65%	65%	60%	720	N/A	N/A	N/A
700	80%	80%	75%	700	65%	65%	60%	700	N/A	N/A	N/A
680	75%	75%	70%	680	N/A	N/A	N/A	680	N/A	N/A	N/A
660	70%	70%	65%	660	N/A	N/A	N/A	660	N/A	N/A	N/A
640	65%	65%	N/A	640	N/A	N/A	N/A	640	N/A	N/A	N/A

  

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<=\$2,500,000 <sup>6</sup>				<=\$2,500,000 <sup>6</sup>				<=\$2,500,000 <sup>6</sup>			
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720	75%	75%	70%	720	60%	60%	N/A	720	N/A	N/A	N/A
700	75%	75%	70%	700	60%	60%	N/A	700	N/A	N/A	N/A
680	70%	70%	65%	680	N/A	N/A	N/A	680	N/A	N/A	N/A
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<=\$3,000,000 <sup>6</sup>				<=\$3,000,000 <sup>6</sup>				<=\$3,000,000 <sup>6</sup>			
FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>	FICO	Purchase	Rate/Refi	Cash Out <sup>4,5</sup>
740	70%	70%	65%	740	60%	60%	N/A	740	N/A	N/A	N/A
720	70%	70%	65%	720	60%	60%	N/A	720	N/A	N/A	N/A
700	70%	70%	65%	700	60%	60%	N/A	700	N/A	N/A	N/A
680	65%	65%	60%	680	N/A	N/A	N/A	680	N/A	N/A	N/A

## FOOTNOTES

- Minimum loan amount \$125,000
- 2-4 Unit Properties: Max 70% on DSCR <1.00
- Investor Cash Flow: DTI = NA
- Max Cash-Out Refinance Limits -
  - DSCR <1: For LTVs 60% and lower, unlimited cash-out funds. For LTVs >60%, \$500,000 total cash-out funds
  - DSCR ≥1: For LTVs 65% and lower, unlimited cash-out funds. For LTVs >65%, \$750,000 total cash-out funds
- See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
- Loan amounts >\$2MM require Credit Committee approval; NO EXCEPTIONS TO MAX LOAN AMOUNTS
- Non-Warrantable: max LTV 75%
- Short-term Rentals: Min FICO 700 & max 75% LTV Purchase/ 70% LTV Refinance
- Interest Only: 700 minimum FICO, Minimum 0.75 DSCR
  - Max \$2M Loan Amount for LTVs > 60%
  - 75% max LTV for transactions with IO payment (ITIA) used to calculate DSCR
  - 70% max LTV for IO transactions where DSCR is 0.75 to 0.99
- Non-Permanent Resident Alien borrowers:
  - Max LTV 75%
  - Purchase and Rate-Term only; Cash-Out Refinances not eligible

## GUIDELINES

### Credit Requirements

If more than one borrower, use the lowest middle score. Borrowers with only one (1) bureau reporting are not eligible. Each borrower must have three trade lines and a credit history covering 24 months. One trade line must have been open and active within the last 6 months. At least one trade line must be seasoned for 24 months. If a borrower's spouse is the only co-borrower listed, only one borrower is required to meet this guideline.

## GUIDELINES

<b>Qualifying ARM Payment</b>	<p>Note that these requirements are superseded by any regulatory requirements such as HPML, unless exempt by definition.</p> <p>Fully-Amortized ARM Loans: Qualified at the greater of the Note rate or the index plus margin, using the full term of the loan.</p> <p>Interest Only Loan: Investment properties are only eligible for Interest-Only under Investor Cash Flow, using the 30-year term (based on 20yr fully amortized payment) or the 40-year term (based on 30yr fully amortized payment). Investor Cash Flow loans are eligible to qualify the DSCR based on the interest-only payment, along with taxes, insurance, HOA dues, etc. (ITIA), so long that it meets Interest-Only Payment Qualification criteria. Otherwise, the fully amortized payment (PITIA) would be used to determine the DSCR calculation.</p> <p>Minimum 700 FICO and 0.75 DSCR for Interest-Only under Investor Cash Flow. For IO transactions with DSCR 0.75-0.99, the max LTV is 70%. Foreign Nationals are not eligible for Interest-Only.</p> <p>Interest-Only Payment Qualification</p> <p>The Interest-Only payment on a loan with an interest-only payment feature may be used to calculate the qualifying payment and the DSCR for Investor Cash Flow loan transactions, provided the LTV does not exceed 75%. In addition to the interest-only payment, taxes, insurance, HOA dues and any other payments must still be included in the calculation of the DSCR (ITIA). If this is a loan transaction with an LTV exceeding 75%, the DSCR must be calculated based on the fully-amortized payment (PITIA).</p>
<b>Eligible Borrowers</b>	<p>Eligible Borrowers include United States Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens, and Foreign Nationals (additional guidelines apply). First Time Home Buyers not allowed.</p> <p>Non-Permanent Resident Aliens are eligible for Purchase and Rate-Term Refinance transactions only with a maximum LTV of 75%. Cash-Out Refinances are not eligible. See full guidelines for eligible visa types and additional requirements.</p> <p>At least one borrower must have a 12-month history of managing rental properties. The history does not need to be in the most recent three-year period.</p>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>▪ Borrowers with diplomatic immunity</li> <li>▪ Borrowers without a social security number or a number that cannot be validated with the SSA.</li> <li>▪ Life Estate</li> <li>▪ Non-revocable trust – <b>no exceptions</b></li> <li>▪ Guardianships</li> <li>▪ Borrowers previously convicted of mortgage fraud</li> <li>▪ Broker company employees and owners</li> </ul>
<b>Pre-Payment Penalties</b>	<p>Prepayment penalties may be placed on investment properties (all documentation types) 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. Investor Cash Flow Loans with a DSCR &lt; 1.0 and LTV &gt; 70 must have at least a one-year PPP. 70.01-75% LTV for DSCR &lt; 1.0 is only allowed for those states currently approved for prepayment penalties (see full guidelines for further details).</p> <p>Eligible states for PPP are AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL*, IN, KS, KY, LA, MA, ME, MD*, MO, MT, NC, ND, NE, NH, NJ*, NV, NY, OK, OR, PA*, SC, SD, TN, TX, UT, VA, VT, WA*, WI, WY</p> <p><b>*State Specific Limitations</b></p> <p>Illinois – PPP permitted only when closing in an LLC or a corporation</p> <p>Maryland – Note must include Choice of Law – Title 12, Subtitle 10 Credit Grantor provisions</p> <p>New Jersey – PPP permitted only when closing in a corporation</p> <p>Pennsylvania – Minimum loan balance of \$312,159 required to allow PPP on 1-2 unit properties</p> <p>Rhode Island – Max 1 year prepay period. Purchase transactions must have a Flat-Pay structure</p> <p>Washington – PPP permitted only on fixed rate transactions</p>

## GUIDELINES

Eligible Properties	<ul style="list-style-type: none"> <li>1-4 unit attached and detached properties (Max LTV of 70% for 2-4 unit properties with DSCR &lt;1.00)</li> <li>Attached and detached PUDs</li> <li>Attached and detached Condos which are warrantable under Fannie Mae/Freddie Mac criteria.</li> <li>Non-Warrantable Condos with one Non-Warrantable feature (see Non-Warrantable Condo section). Max 75% LTV. Pricing adjustments apply</li> <li>Condotels (review "Condotels" section of REM N Access guidelines for eligibility rules) <ul style="list-style-type: none"> <li>Minimum 0.75 DSCR</li> <li>Minimum 6 months reserves</li> </ul> </li> <li>Properties with an Accessory Unit (ADU) must meet Fannie Mae/Freddie Mac criteria</li> <li>TBD Properties (file must be resubmitted when property address is found – valid change of circumstance to add the property address is ineligible for this product)</li> </ul>
Ineligible Properties	<ul style="list-style-type: none"> <li>Acreage greater than 2 acres (appraisal must include total acreage)</li> <li>Boarding Homes</li> <li>Mixed Use Properties</li> <li>Log Homes</li> <li>Manufactured housing/Modular homes</li> <li>Properties subject to oil and/or gas leases</li> <li>Unique properties</li> <li>Agriculturally Zoned Properties (exceptions may be considered on a case-by-case basis)</li> <li>Working farms, ranches, or orchards</li> <li>Hobby Farms</li> <li>Co-ops</li> <li>Properties in Lava Zones 1 and 2</li> <li>Properties with a condition rating of C5 or C6</li> <li>Rural Properties are not eligible on investment properties</li> </ul>
Geographic Eligibility	<p>The Access product suite is eligible in ALL states. No state subprime or equivalent allowed. In the event an appraisal indicates a property is located in a declining market, a 5% LTV reduction will be applied.</p> <p><b>Second Home and Investment Properties in the City of Baltimore are ineligible.</b></p>
DSCR	<p>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), unless the interest only payment is utilized.</p> <p>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. Documentation to substantiate the management history must be provided. See Landlord History Waiver section for requirements to waive the landlord history requirement.</p> <p>Note: Property tenants may not be family members of the borrower on Investor Cash Flow transactions.</p> <p>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.</p> <p><b>Qualification</b></p> <p>The Debt Service Coverage Ratio (DSCR) is subject to specific criteria based on loan amount, FICO score and LTV. Please see the <u>Investor Cash Flow matrix</u> to determine eligibility based one of the following options:</p> <ul style="list-style-type: none"> <li>DSCR &gt;= 1.00</li> <li>DSCR &gt;= 0.75 <ul style="list-style-type: none"> <li>For 2-4 unit transactions with DSCR 0.75-0.99, the max LTV is 70%.</li> <li>For interest-only transactions with DSCR 0.75-0.99, the max LTV is 70%.</li> </ul> </li> <li>DSCR &lt; 0.75 <ul style="list-style-type: none"> <li>Not eligible for interest-only</li> <li>For 2-4 unit transactions with DSCR less than 0.75, the max LTV is 70%</li> </ul> </li> </ul> <p>Also note that certain DSCR levels (i.e. &lt; 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.</p>

## GUIDELINES

### LLC and Corporation Requirements

Domestic LLCs 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.
- All borrowers must sign the Deed of Trust/Mortgage as individuals and as authorized signors of the LLC/Corporation therefore subject property mortgage debt will be reported on the borrower's 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/Corporation and the members authorized to encumber the LLC/Corporation 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
- By-Laws, including all amendments (for Corporations 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

### Determination of Rents

#### PURCHASES

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. An expired lease which either contains language or, per state law, which converts to month-to-month is acceptable. In the event a property is subject to an at will tenancy without a written lease agreement which will continue after closing, documentation from the seller of the property outlining the terms of the lease including the tenant's name, address, monthly rent will be acceptable as a lease agreement. 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 rental income utilized may not exceed the appraiser's opinion of market 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.

#### REFINANCE

Use 100% of the market rents as determined by the appraiser. No lease is required if the subject property has completed a recent renovation and/or is listed for rent. In the event a lease is in place, the lesser of the market rents or the current rents will be utilized. An expired lease which either contains language or, per state law, which converts to month-to-month is acceptable. In the event a property is subject to an at will tenancy without a written lease agreement, a letter from the Borrower outlining the terms of the lease including the tenant's name, address, monthly rent, and how long the lease has been active will be acceptable as a lease agreement with proof of the most recent month's rental income. 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. The rental income utilized may not exceed the appraiser's opinion of market 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 125% of market rents) to calculate the DSCR provided the lease will continue for at least six months after the note date and the three months of rents due prior to the application date are documented as received timely. Properties rented on a short term basis where the actual rents exceed the market rents may use the actual rents.

## GUIDELINES

### Short Term Rental Income (e.g. Airbnb, VRBO, HomeAway, etc.)

#### PURCHASE

- AirDNA will be used for all short-term rental purchase transactions. AirDNA is not allowable for refinance transactions.
- Minimum DSCR of 1.00 is required, using the AirDNA Revenue Calculator
- Maximum 75% LTV for borrowers with at least one (1) year experience operating a short-term rental property
- Maximum 70% LTV for borrowers who do not have one (1) year experience operating a short-term rental property (< 1-year)
- Minimum 700 FICO
- AirDNA Revenue Calculator must meet the following requirements
  - Only allowed for purchase transaction
  - Forecast period must cover twelve (12) months from the Note date
  - The occupancy rate must be > 50%
  - Must have five (5) comparison properties
  - Must be located within the same zip code
  - Must be similar in size, room count, and occupancy
  - Income Calculation – Annual revenue divide by twelve (12) months (Annual Revenue / 12)
- For 2-4 Unit Properties, a report must be pulled on each individual unit in AirDNA, and the sum of all combined units' rental income will be used to determine the DSCR ratio
- If AirDNA reports do not meet the aforementioned requirements, Market Rent Survey based on short-term rental analysis will be used with minimum DSCR of 1.00
- Property tax escrows are required (waivers not allowed)

#### REFINANCE

- AirDNA Revenue Calculator tool is not allowed for refinance transactions. The loan must meet the 12 month payment history requirement listed below.
- Minimum DSCR of 1.00 – calculated based on average deposits over twelve (12) month history, including zero deposit months
- Max 70% LTV
- Minimum 700 FICO
- Twelve (12) months payment history required from a third-party property management provider.
  - o Subject properties that are self-managed and/or cannot provide twelve (12) month payment history from a third-party management provider must qualify based on Market Rent Survey based on long-term tenancy (see below).
- Short-term rental statements must clearly identify the subject property by address. Property ID # and property description alone is not sufficient.
- For subject property with less than twelve (12) month short-term rental income history or for subject property that is not able to provide a twelve (12) month payment history from a third-party management provider, a Market Rent Survey based on long-term tenancy may be used with a minimum DSCR of 1.00.
  - o If the loan amount is < \$150,000, minimum DSCR of 1.25 is required.
- Property tax escrows are required (waivers not allowed)

**Note:** Short-Term Rentals are ineligible where local or state legislation has been passed to stop, limit, or impact in any fashion the use of Airbnb, VRBO, HomeAway, etc. The underwriter must check to ensure the subject is not located in such an area.

### 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.
- 680 FICO
  - 1.000 DSCR based on a 30 year amortizing payment
  - 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



## GUIDELINES

# of Properties Owned	<p>Loan/Property restrictions per borrower are as follows:</p> <ul style="list-style-type: none"> <li>Borrowers are collectively limited to eight (8) loans either issued or purchased by REMN/HBFS not to exceed \$10,000,000. If greater than four (4) loans, then REMN WS Credit Committee approval is required</li> <li>Borrowers with &gt; 15 properties are not eligible for any second home or investment property transaction (purchase, rate/term, or cash-out). This is an aggregate based on all borrowers, and includes commercial properties and properties owned free and clear</li> <li>Borrowers may have REMN/HBFS financing on a maximum of 5% of the properties in a condominium project. Condo project will require upfront validation with the Project Standards group to ensure maximum exposure in the project has not been reached.</li> <li>For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed</li> <li>Multiple simultaneous submissions require REMN management approval</li> </ul>
Reserves	<p><b>Investor Cash Flow Requirements</b></p> <ul style="list-style-type: none"> <li>Loan amount up to \$500K – 3 months PITIA or ITIA*</li> <li>Loan amount above \$500K up to \$1.5MM – 6 months PITIA or ITIA*</li> <li>Loan amount above \$1.5MM up to \$2.5MM – 9 months PITIA or ITIA*</li> <li>Loan amount above \$2.5MM up to \$3MM – 12 months PITIA or ITIA*</li> <li>FICO 620-639 – 12 months PITIA or ITIA*</li> <li>DSCR &lt;1.0 - Additional 3 months PITIA or ITIA* over and above loan amount requirements</li> <li>No reserves required for other real estate owned</li> <li>Condotels – Minimum 6 months PITIA or ITIA*</li> </ul> <p>*For Investor Cash Flow loan transactions where the interest-only payment (ITIA) is eligible for DSCR calculation</p>
Gifts	<p>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. The borrower must contribute 5% of the purchase price from their own funds, except as otherwise specified. A purchase of a primary residence with an LTV ≤80 does not require a borrower contribution, except as otherwise specified. Gift funds are eligible on investment properties. The borrower must contribute 5% of the purchase price from their own funds if the LTV &gt; 75%. No minimum borrower contribution is required for LTV ≤ 75%.</p>
Seller Concession	<p>Maximum Seller Concession is 3%</p>
Appraisals	<p>Appraisals may not be more than 120 days old as of the note date. All transactions require a new appraisal. Appraisals must be ordered through a REMN approved Appraisal Management Company.</p> <p><b>Determining Collateral Value</b></p> <p>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.</p> <p><b>Purchase Transaction</b></p> <p>The collateral value is based upon the lesser of the sales price (minus concessions or excess contributions) or the appraised value.</p> <p><b>Rate/Term Refinance Transaction</b></p> <p>The current value may be used provided the value is supported both by appraisal and a CDA with a variance ≤10%. <b>*See full guidelines for complete valuation requirements</b></p> <p><b>Cash-Out Refinance Transaction</b></p> <p><b>For properties own six months or longer:</b> the current value may be used provided the value is supported both by appraisal and a CDA with a variance ≤10%. <b>*See full guidelines for complete valuation requirements</b></p> <p><b>For properties owned less than six months:</b> the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraisal value. Proof of improvements are required. Proof of purchase is required as evidenced by final CD from the property purchase.</p> <p><i>Continued on next page</i></p>

## GUIDELINES

### Appraisals (Cont.)

In instances where one appraisal is required, the CU and/or LCA score must be reviewed. If the CU and/or LCA score is less than or equal to 2.5, no additional appraisal review products are required unless otherwise specified. If the CU and/or LCA score exceeds 2.5, there is no CU and/or LCA score, or the risk flag is high: **an additional valuation product may be required; \*See full guidelines for complete valuation requirements**

**For each transferred appraisal, the following criteria must be met:**

- A copy of the appraiser's current license, to be independently verified by REM N WS
- A copy of the appraiser's current E&O Policy with sufficient coverage name the appraiser as insured
- If the appraisal is a transferred appraisal, the AMC must provide an assignment of appraisal to REM N WS. In lieu of this requirement the AMC's business license must be independently verified by REM N WS.
- The AIR certificate confirming compliance with Dodd-Frank AIR requirements
- A desk review from the Appraisal Department

**Appraisal Requirements:**

Up to and including \$2,000,000 – One Appraisal

Above \$2,000,000 – Two Appraisals

HPML Loan with a Flipped Property\* – Two Appraisals (Borrower is not permitted to pay for 2<sup>nd</sup> appraisal)

*\*For HPML loans, the borrower must provide evidence of receipt of the appraisal(s) or 3 calendar days must have elapsed since delivery of the appraisal(s) report.*

### Unlicensed MLO

A broker/MLO who is not currently licensed in the state where the subject property is located is eligible to submit the loan if the following applies:

- Investor Cash Flow transactions only
- Max LTV of 75%
- Subject property cannot be located in the following states: AK, AZ, CA, IA, ID, MI, MN, NE, NV, ND, OR, SD, UT, VT
- Broker/MLO must have a current license in at least one other state
- The loan must be reviewed at the time of submission and receive upfront approval by the REM N Ops Manager or Credit Officer to confirm a) the Broker/MLO is licensed, b) the property is located in an eligible state, and c) the product type is Investor Cash Flow
- A loan with an unlicensed MLO MUST meet all guidelines, no exceptions
- Standard ICF pricing does not apply – special pricing must be obtained from the REM N Lock Desk