

FIRST CLASS DSCR Matrix



Matrix			DSCR $\geq$ 1.00			DSCR $\geq$.75			No Ratio DSCR		
Loan Amount	Reserves Month	FICO	Purchase	Rate/Term	Cash Out	Purchase	Rate/Term	Cash Out	Purchase	Rate/Term	Cash Out
125,000 to 500,000	3	740	80	80	75	75	75	70	75	75	65
		720	80	80	75	75	75	70	70	70	60
		700	75	75	65	75	75	60	65	60	60
		680	75	75	65	70	70	60	65	60	60
		660	70	70	65	60	60	60	60	60	60
500,001 to 1,000,000	6	740	80	80	75	75	75	70	75	75	65
		720	80	80	75	75	75	70	70	70	60
		700	75	75	65	75	75	60	65	60	60
		680	75	75	65	70	70	60	65	60	60
		660	70	70	65	60	60	60	60	60	60
1,000,001 to 1,500,000	6	740	75	75	70	70	70	65	70	70	60
		720	75	75	70	70	70	65	65	65	60
		700	75	75	70	70	70	65	65	65	60
		680	70	70	60	N/A	N/A	N/A	N/A	N/A	N/A
		660	65	65	60	N/A	N/A	N/A	N/A	N/A	N/A
1,500,001 to 2,000,000	6	740	75	75	60	65	65	60	65	65	60
		720	75	75	60	65	65	N/A	N/A	N/A	N/A
		700	70	70	60	65	65	N/A	N/A	N/A	N/A
		680	65	65	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		660	60	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A

FIRST CLASS DSCR Documentation



Additional Criteria		
Loan Scenario Feature Eligibility	Min DSCR Ratio	≥ 0.75 OR No Ratio
	Short Term Rental Income Used	Max 70% LTV/CLTV and DSCR ≥ 1.0
	Interest Only	Min 700 FICO, Max 75% LTV/CLTV for Ratios ≥ 1.0 , Min 700 FICO, Max 70% LTV/CLTV for Ratios ≥ 0.75 , Not Eligible For No Ratio Option
	Temporary Interest Rate Buydowns	Not Eligible
	Escrow Impound Waivers	Eligible (see Escrow/Impounds section)
	Any scenario in which an employee of the lender, broker, correspondent, or originator is a party to the subject loan	Not Eligible
Borrower Eligibility	First Time Investor	Min 700 FICO, DSCR ≥ 1.0 No Exceptions
	First Time Homebuyer	Not Eligible
	Non-Permanent Resident Alien	Max 75% LTV/ CLTV Purchase & Rate/Term Not Eligible for Cash Out
	Maximum Financed Residential 1-4 Unit Properties and UPB	No borrower or guarantor may have more than 20 financed properties No borrower or guarantor may have more than 10 properties or \$7.5M UPB serviced by JET Mortgage
	Also see Borrower Eligibility Section below	
Property Type	2-4 Units	Max 75% LTV/CLTV
	Warrantable Condos	Max 75% LTV/CLTV
	Non-Warrantable Condos	Max 75% LTV/CLTV
	Rural Properties	Not Eligible
	Declining Markets	Reduced Max LTV/CLTV by 5%
	Also see Property - Eligible Types and Property - Ineligible Types below	
Cash-Out	LTV > 60%	Max Cash Out \$500K
	LTV $\leq 60\%$	No Limit
Reserves	Cash out proceeds must not be used for personal use, business purpose only.	
	Loan Amount	Minimum Reserve Requirements for the Subject Property
	$\leq \$500,000$	3 months
	\$500,001 to \$2,000,000	6 months
	See Reserves section for additional reserve requirements	

Additional Criteria (Continued)		
Occupancy	Principal Residence or Second Homes	Not Eligible
	Investment Property	Gift funds not permitted for LTV/CLTV > 80%

Reference Criteria		
Appraisals	•	Property inspection waivers are not eligible
	•	All appraisals must comply with applicable regulations and standards, including but not limited to USPAP, FIRREA, AIR, HVCC, and HPML compliance.
	•	• If two appraisals are required they must be obtained from a different appraiser and appraisal company.
	•	One full appraisal for loan amounts up to \$2,000,000
	•	Two full appraisals for loan amounts > \$2,000,000 or HPML flip transactions.
	•	If two appraisals are obtained, the lower value must be used for the LTV/CLTV.
	•	All single appraisal transactions must have a secondary valuation assessment completed prior to the delivery date with one of the following conditions satisfied. For TPO Non-Del the secondary valuation meeting one of the following conditions must be completed prior to the note date :
	•	• A Fannie Mae Collateral Underwriter® (CU) score <= 2.5 or Freddie Mac Loan Collateral Advisor® (LCA) score <= 2.5
	•	• If a CU or LCA score is used as the secondary valuation, the Submission Summary Report (SSR) must be included in the file.
	•	• If both are run, they must be done at the same time; Only one needs to have a passing score
	•	If neither the CU score nor the LCA score is <= 2.5, a Clear Capital Collateral Desktop Analysis (CDA) or Stewart Valuation Appraisal Risk Review (ARR) with a value that is:
	•	• > 90% of the appraisal value if LTV <= 85% or
	•	• > 95% of the appraisal value if the LTV > 85%
	•	• File must include Submission Summary Report (SSR) regardless of CU or LCA score
	•	If the CDA or ARR supports the appraised value the report must be retained in the loan file
	•	Field Review with a value that is not less than 90% of the original appraised value
	•	If the field review supports the original appraised value, the report must be retained in the loan file
	•	If none of the secondary valuations conditions above can be met, a second full appraisal is required
	•	• The lower of the first (original) and second appraisal values must be used as the appraised value in the LTV/CLTV calculation
	•	A secondary valuation, other than a second full appraisal, is never used to determine the value of the subject property. Secondary valuation products are provided only to support the value of the appraisal and are not meant to be used as a substitute value for the property.
	•	Unpermitted additions/alterations and deferred maintenance must meet Fannie Mae requirements
	•	All 1-unit investment property transactions require Form 1007
	•	For 2-4 unit properties, Fannie Mae form 1025 Small Residential Income Property Appraisal report is required
	•	Accessory units are acceptable
	•	• Must follow all Fannie Mae requirements and restrictions for ADUs
	•	Appraisal must reflect zoning compliance is legal
	•	• Legal non-conforming zoned properties must indicate that the subject property can be 100% rebuilt if it is severely damaged or destroyed.
	•	Declining Markets
	•	If a property is in a declining market, the following applies:
	•	• The Max LTV is reduced by 5% (points) from the max LTV for the specific scenario (i.e. 5 points lower than the most restrictive max LTV given the loan scenario).
	•	A declining market is defined as one in which the appraiser has indicated the market is declining in the housing trends of the appraisal report

Reference Criteria (Continued)				
Appraisals			•	In the event there are two appraisals, this condition is satisfied if either of the two appraisers indicates the market is declining
		•	Rural Properties	
		•	Defined by the appraiser in Neighborhood Characteristic Location	
			•	In the event there are two appraisals, any conflict with the Neighborhood Characteristic Location must be reconciled.
Assets		•	Full asset documentation is required for both funds to close and reserves.	
			•	For most asset types, this would include all pages of the most recent one-month's statement, the most recent quarterly statement, or FNMA approved third party direct pull services, dated within 90 days of the note date.
		•	Follow Fannie Mae Selling Guide requirements if funds require liquidation when used for the down payment or closing costs, and if the funds are being used for reserves.	
		•	Large deposits should be in line and consistent with the borrower's overall credit and may require a signed LOE.	
Assets Business Funds		•	Business assets are an acceptable source of funds for down payment, closing costs, and reserves for self-employed borrowers; all of the following must be met:	
			•	The borrowers on the loan must have a minimum of 25% ownership of the business and must be owners on the business account
			•	Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
			•	All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account
			•	The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
Assets Gift Funds		•	Gift funds are eligible for down payment and closing costs with the following requirements:	
			•	Gift funds from family members, as defined by Fannie Mae, are eligible
			•	Purchase transactions only
			•	Ineligible and investor properties >80% LTV/CLTV
			•	Acceptable as 100% downpayment for loans <75% LTV/CLTV
			•	Acceptable for loans >= 75% LTV/CLTV, however the underlying borrowers must contribute a minimum of 5% of the transaction from their own funds (lower of purchase price or appraised value).
			•	See Additional Criteria section for LTV/CLTV limitations
		•	Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:	
			•	Specify the dollar amount of the gift;
			•	Include the donor's statement that no repayment is expected; and
			•	Indicate the donor's name, address, telephone number, and relationship to the borrower.
		•	Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs, or reserves .	
		•	Non-borrowing spousal accounts are allowed for downpayment, closing costs, and reserves :	
			•	Fully executed relationship letter required.
		•	Assets held in foreign accounts are acceptable for down payment, closing costs, and reserves subject to the following:	
			•	Must be 60 days seasoned with 2 most recent bank statements (all pages); and
			•	When the source of funds originates from assets located outside the U.S., those assets require:
			•	Documented evidence of the foreign assets translated into English and exchanged into U.S. dollars and held in a U.S. or state regulated financial institutions; and
			•	Verification of the funds in U.S. dollars prior to closing the loan.
		•	Assets from countries under OFAC sanctions are not permitted	

Reference Criteria (Continued)		
Assets Other Sources	Funds held by a 1031 exchange administrator or permitted for downpayment and closing costs.	
	Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction.	
	Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds	
	Bitcoin and other forms of cryptocurrency are eligible for downpayment, closing costs, and reserves, subject to the following:	
	It has been exchanged into U.S. dollars	
	There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account.	
	Seasoning requirements not applicable given liquidation	
	For reserves, liquidation is not required. The following is required:	
	Documentation proving ownership of the crypto assets.	
	The current valuation must be sourced exclusively from Coinbase, and the valuation must be dated within 30 days of the Note date.	
Assets Ineligible Asset Types	Assets derived from the production or sale of marijuana	
	Builder profits	
	Rent credits	
	Cash-on-hand	
	Sweat equity	
	Unsecured loans (except employer assistance funds as defined above) or cash advances.	
Assets Reserves	<i>Refer to the Reserves sections of the product profile for calculation and minimum reserve requirements</i>	
	Net proceeds from a cash-out refinance transaction may be used as reserves. Refer to the Reserves section of the product profile for additional requirements.	
	Publicly traded stocks, bonds, mutual funds, 100% of the account(s) value may be used for reserves.	
	Vested retirement accounts (e.g., IRA, 401k, Keogh, 403b), 100% of the vested balance may be used for reserves.	
Assets Ineligible Assets for Reserves	Gift funds	
	Restricted stock	
	Retirement accounts <100% vested	
	1031 Exchange assets	
	Employer assistance received in the form of an unsecured loan.	
	Employer assistance received for second homes and investment properties	
Borrower Eligibility DSCR	The DSCR program is eligible for professional investors only	
	Professional investors must have at least 12 months experience owning and/or managing income producing real estate within the most recent 36 months from the note date of the subject transaction	
	Rental Property experience: Must be documented via the Schedule of Real Estate Owned (REO) on the signed 1003 to validate investment properties owned and length of ownership.	
	First time investors allowed, refer to Additional Criteria section above (if any borrower or guarantor doesn't meet the 12 month experience requirement follow the first-time investor rules, including the prohibition on first-time homebuyers).	
	All borrowers must execute a personal guaranty agreement if the Note is not being signed individually. See Entity Signature Requirements section below	
	Maximum number of borrowers is four	

Reference Criteria (Continued)		
Borrower Eligibility Citizenship	•	U.S. citizens
	•	Permanent Resident Aliens, with proof of one of the following:
	•	I-151 Permanent Resident Card (Green Card) that does not have an expiration date on the back (also known as a green card)
	•	I-551 Permanent Resident Card (Green Card) that is issued for 10 years that has not expired.
	•	I-551 Conditional Permanent Resident Card (Green Card) issued for two years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of conditions
	•	Un-expired Foreign Passport that contains an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
	•	Non-Permanent Resident Aliens:
	•	If any borrower is a Non-Permanent Resident Alien, then all of the following requirements apply.
	•	Borrower Eligibility:
	•	All borrowers must have a valid Social Security Number and established US credit history
	•	No Asylum
	•	Employment Status Documentation:
Borrower Eligibility Limited Liability Company (LLC)	•	Copies of the Borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival / Departure Record). Includes I-797, I-797A, I-797B, I797C.
	•	The following VISA types are acceptable: E-1, E-2, E-3, EB-5, G-1 thru G-5, H-1B, L-1, NATO, O-1, R-1, TN(NAFTA)R-1
	•	A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower's current employer. If the visa will expire within six (6) months of note date, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
	•	If a non-U.S. citizen is borrowing with a U.S. citizen, the visa or residency requirements still must be met. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification
	•	Business purpose loans only
	•	Entities must be formed for the purpose of ownership and management of real estate
	•	Maximum of 4 entity owners allowed
	•	All eligible Guarantors (noted below) must be disclosed and credit qualified
	•	All Borrower(s) must execute the Occupancy Certification
	•	Guarantor(s) must be a managing member or majority owner as confirmed by the Operating Agreement (or equivalent) and have at least 25% ownership of the business entity (as confirmed by the operating agreement or equivalent). Said guarantor is subject to the same underwriting requirements as the individual borrower.
	•	Personal Guaranty is required when Note is not being signed individually
	•	All Guarantors must sign all closing documents and disclosures
	•	All borrowers will be required to provide personal recourse
	•	Consent of Spouse Form is required in community property states when loan is signed with a Personal Guaranty and spouse is not included on the loan
	•	Form must be executed at loan closing and dated the same date as the Note
	•	No additional individuals may be included on title or be obligated on the subject loan.
	•	The following entity documents are required:
	•	Articles of Incorporation
	•	Operating Agreement (or equivalent)

Reference Criteria (Continued)				
Borrower Eligibility Limited Liability Company (LLC)			•	Tax Identification Number
			•	Certificate of Good Standing, must be dated within 30 days of closing
			•	Entities layered with a trust are not eligible
			•	Guideline requirements must be met for each entity
			• Entity Signature Requirements	
			•	The note must be signed by the guarantor in their individual capacity and/or as a member, and/or as a managing member as follows: Guarantor(s) sign the note as (a) member(s) or managing member(s) of the entity. In this case, each Guarantor must also sign the Personal Guaranty Agreement as an individual.
			•	Borrower(s) may sign the note as (an) individual(s). In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
				Borrower(s) may sign the note both as (an) individual(s) and as (a) member(s) or managing member(s) of the entity (two signatures per person) In this case, the borrower(s) do not need to sign a Personal Guaranty Agreement.
			•	The Mortgage / Deed of Trust / security instrument should be signed by the borrower(s)/guarantor(s) of the entity in their capacity as member(s) and/or managing member of the entity.
			•	Note:
			•	Mr. John Homeowner (individual signature if person is not signing a Personal guaranty)
			•	Mr. John Homeowner, as member of ABC Property, LLC
			•	Mortgage / Deed of Trust
			•	Mr. John Homeowner, as member of ABC Property, LLC
			•	Personal Guaranty Agreement
			•	Mr. John Homeowner (Personal Guaranty Agreement must always be signed as an individual)
Borrower Eligibility Ineligible Types and Vesting Types		The following borrower and vesting types are ineligible:		
		•	Borrowers with diplomatic immunity	
		•	Borrowers with asylum status	
		•	Illinois land trust	
		•	Blind trusts	
		•	Land trusts	
		•	Irrevocable trust	
		•	Layered Entities with a Trust	
		•	Non-profit organizations	
		•	Borrowers in any country not permitted to do business in the United States	
		•	Persons from OFAC sanctioned countries or persons sanctioned by OFAC	
		•	Individuals on OFAC's SDN list	
		•	Tenants in Common, unless all parties vested match the actual borrowers on the loan	
		•	Foreign Nationals	
Credit Credit Score		•	The loan level Representative Credit Score is computed by:	
		•	Selecting a representative score for each borrower using:	
		•	the middle score for each borrower if 3 scores are available or the lower score when only 2 scores are available.	
		•	Selecting the representative score from the borrower with the highest percentage ownership. If there are multiple borrowers have the same highest percentage ownership, the loan level Representative Credit Score will be the lowest borrower representative score amongst these borrowers.	

Reference Criteria (Continued)			
Credit Credit Score	The borrower with the highest percentage of ownership must have at least two credit scores. If there are multiple borrowers with the same percentage of ownership, all such borrowers must have at least two credit scores.		
	Borrowers currently enrolled in credit counseling or debt management plans are not permitted.		
Credit Tradelines	Each borrower who is using income to qualify must have:		
		at least 2 tradelines reporting at least 12 months of history in the last 24 months, or a combined credit profile between Borrower and co-Borrower with a minimum of three tradelines showing at least 12 months of history in the last 24 months	
		Tradeline activity is not required, and the tradelines can be opened or closed.	
	The following are not acceptable to be counted as tradelines:		
		Tradeline in a deferment status	
		Accounts discharged through bankruptcy	
		Authorized user accounts	
		Charge-offs	
		Collection accounts	
		Foreclosures	
Credit Housing History		The housing payment history must reflect 0x30x12 for the subject property and each borrower’s/guarantor’s primary residence for the most recent 12 months, regardless of whether the borrower/guarantor is on the note or vested on title.	
		Housing payment history for the subject and each borrower’s/guarantor’s primary residence must be evidenced by 12 months proof of payment via cancelled checks, bank debits, VOR/VOM, or the credit report may also be used if the housing payment history is reported.	
			When the housing payment history for the subject property or the borrower’s/guarantor’s primary residence involves a private party mortgage, or is evidenced by a non-institutional VOM or VOR, at least one of the following is also required to validate the payment history:
			The most recent six months: Cancelled checks, or bank statements (all pages), or ACH payments, or bank transfer/wire, or electronic payment method.
		A borrower’s/guarantor’s primary residence may be documented as free and clear.	
	Housing Payment History Other REO (does not include the borrower’s/guarantor’s primary residence)		
		Mortgages appearing on the credit report or other documentation in the file must reflect 0x30x12	
		No validation is required for mortgages that do not appear on the credit report or other documentation in the file). The mortgages must be reflected in the REO count and UPB limit for the maximum number of financed properties.	
	Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually		
	All mortgages and rental payments reflected on the credit report or other documentation in the file must be current at the time of closing (note date). This includes the subject property, the borrower’s/guarantor’s primary residence, and other REO. If credit report or VOR / VOM reflects a past-due status, updated documentation is required to verify the account is current.		
	Payments missed under forbearance agreements must be counted as late payments for the purposes of the housing payment history		
	Passed due balloon payments are considered a 1x30 delinquency provided the delinquency was cured within 180 days of maturity.		
	If the subject property has delinquent taxes that are more than 1 year delinquent as of the subject note date, an exception is required.		
	If the borrower is living rent free as a dependent with family and a 12 month housing history is not applicable, the following apply:		
	A rent-free letter is required.		

Reference Criteria (Continued)		
Eligible Mortgage Products and Features	Eligible	
	Fully Amortizing Fixed: 15 Yr, 30 Yr	
	Fixed Interest Only: 30 Yr or 40 Yr term, including 10 Year IO Term	
	Hybrid ARMs	
	Fully Amortizing Hybrid ARM: 5/6 30 Yr 2-1-5, 7/6 30Yr 5-1-5, 10/6 30 Yr 5-1-5	
	Interest Only ARMs:	
	30 Yr (with 10 Yr IO and 20 Yr Amort Term): 5/6 2-1-5, 7/6 5-1-5, 10/6 5-1-5	
	Index: 30 Day Average SOFR Index as published by the New York Federal Reserve	
	Adjustment Reset Period: 6 months	
	ARM Floor = ARM Margin	
	Lookback Period: 45 days	
	ARM Margin: 4.00%	
	Fully Indexed Rate is the sum of the index plus margin, rounded to the nearest 0.125%	
	See Qualifying Payment section for further details	
Financing Concessions	If a borrower is participating in the transaction (i.e. borrower is acting as their own agent) is considered an interested party and their contributed funds must be counted against the IPC limits. Note: The transaction is ineligible if an employee of the lender, broker, correspondent, or originator is a party to the subject loan.	
	Maximum IPCs: 6%	
	Follow all other Fannie Mae guidelines.	
First-time Homebuyer	First-time homebuyers (FTHB) are ineligible (no borrower/guarantor can be a FTHB).	
Loan Purpose Refinance - Cash-Out	Cash Out Requirements	
	LTV > 60%	Max Cash-out \$500,000
	LTV <= 60%	No limit
	Loans with Power of Attorney are ineligible	
Non-Arms Length Transactions	Non-arm's length transactions are ineligible	
	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include, but are not limited to, family sales, property in an estate, employer/employee sales, and flip transactions.	
	When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property	
	Builder-related transaction are ineligible if:	
	- The transaction is a builder refinance and the builder/developer (or affiliated entity) has built more than four (4) units in the same subdivision, development, or condominium project as the subject property ; or	
	- The loan is secured by a newly constructed second home or investment property (purchase or refinance) and the borrower has a relationship or business affiliation with the builder, developer, or seller.	
Prepayment Penalty	A prepayment penalty is acceptable on where permitted by applicable law and regulations	
	Total points, fees, and APR may not exceed current state and federal high-cost threshold	
	Not allowed on primary residence or second homes or investment property cash out transactions where the proceeds will be used for personal use	
	Acceptable prepayment penalty structures are:	

Reference Criteria (Continued)					
Prepayment Penalty		Prepayment Penalty Period (in Yrs)		Prepayment Penalty Percent	Prepayment Penalty Conditions
	5	•	5%-5%-5%-5%-5%		A
		•	5%-4%-3%-2%-1%		
		•	6 Months Interest		B
	4	•	5%-5%-5%-5%-5%		A
		•	5%-4%-3%-2%		
		•	6 Months Interest		B
	3	•	5%-5%-5%-5%-5%		A
		•	5%-4%-3%		
		•	6 Months Interest		B
	2	•	5%-5%-5%-5%-5%		A
		•	5%-4%		
		•	6 Months Interest		B
	1	•	5%-5%-5%-5%-5%		A
		•	6 Months Interest		B
	Penalty Terms Conditions		Definition		
	A	•	Prepayment Penalty Period commences on the Note Date and ends on the N th year anniversary of the Note Date, where N is the Prepayment Penalty Period in Years selected at closing, ranging from 1-5 years.		
		•	A prepayment penalty fee will apply in the event any unscheduled principal is received (a Curtailment) within the Prepayment Penalty Term, including when the loan is paid off in full for any reason.		
		•	The prepayment penalty fee is equal to the Prepayment Penalty Percent in effect at the time of the prepayment, which may change each year on anniversary of the Note Date, multiplied by the Curtailment amount		
	B	•	Prepayment Penalty Period commences on the Note Date and on ends the N th year anniversary of the Note Date, where N is the Prepayment Penalty Period in Years selected at closing, ranging from 1-5 years.		
		•	A prepayment penalty fee will apply when unscheduled principal is received (This Curtailment) within the Prepayment Penalty Term that, when added to all other prior unscheduled principal received within 12 months immediately preceding the date of This Curtailment, exceeds 20% of the original principal amount of the note (Twelve Months Excess Curtailments). This Curtailment includes scenarios where the loan is paid off in full for any reason.		
		•	The prepayment penalty fee is equal to the 6 months advanced interest (at the Note Rate) on the Twelve Months Excess Curtailments amount		
State Restrictions:					
•	Prepayment penalties are not allowed in AK, KS, MD, MI, MN, NM, RI				
•	MS: For 1-unit properties, prepayment penalties must be declining (e.g. 5%-4%-3%-2%-1%, or 5%-4%-3%)				
•	IL: Prepayment penalties only allowed on loans made to LLCs, General Partnerships, Limited Partnerships, and Corporations				
•	Cook County: Only allowed where Loan Amount > \$250K (all state restrictions also apply)				
•	NJ: Prepayment Penalties are ineligible				

Reference Criteria (Continued)		
Prepayment Penalty	OH: Prepayment penalties not allowed on 1 or 2 unit properties	
	PA: Penalties not allowed on 1-2 unit properties with loan amounts less than \$319,777 (Adjusts annually)	
	RI: The borrower must provide explicitly written consent to the prepayment penalty provisions prior to the note date.	
Property: Eligible Types	Single Family Detached/Attached	
	PUDs	
	Low-rise and High-rise condominiums (see Condominium section)	
	Leasehold Properties	
	2-4 Units (see Additional Criteria section above)	
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 ten (10%), the transaction is considered a "flip".	
	- To determine the three hundred sixty-five (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) should 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, except for the scenarios outlined in the Non-Arm's Length Transaction section. Refer to the Non-Arms Length Transactions section for requirements.	
	- 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, auction, for sale by owner offering (documented) or developer marketing	
	- The property seller must be the owner of record	
	- No assignments of the contract to another buyer	
	Increases in value should be documented with commentary from the appraiser and recent comparable sales.	
	- Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.	
	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	
	A second appraisal is required, prior to closing, in the following circumstances:	
	- Greater than ten (10%) increase in sales price if seller acquired the property in the past 90 days	
	- Greater than twenty (20%) increase in sales price if seller acquired the property in the past 180 days	
	- The second appraisal must be dated prior to the loan consummation/note date.	
	- The Borrower may not pay for the 2nd appraisal	
	Flip transactions must comply with the HPML appraisal rules in Regulation Z.	
	Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction.	
Qualifying Payment	The qualifying rate is the note rate for fixed rate and ARM transactions.	
	- For ARM transactions in MN, the qualifying rate is the higher of the fully indexed rate or the note rate	
	The qualifying payment is based on the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, other insurance premiums, and any associated dues.	
	- The Qualifying payment is based upon the amortization term	
	For interest only loans,	
	- The qualifying payment is the interest payment, calculated at the qualifying rate, along with 1/12th of the annual real estate taxes, property insurance, other insurance, and any associated dues.	

Reference Criteria (Continued)				
DSCR Ratio	•		The Debt Service Coverage Ratio (DSCR)	
	•		Gross Rental Income / Qualifying Payment	
	•		Minimum DSCR Ratio >= 0.75. No Ratio is also permitted	
	•		Refer to the Additional Criteria section for ratio requirements	
	•		See Rental Income section for requirements to determine the Gross Rental Income	
Recently Listed Properties	•		Refinance Transactions	
	•		Properties that have been listed for sale by the borrower less than or equal to 6 months from the note date may not be currently listed at the time of loan application and will require a LOE signed by the borrower and evidence the listing is cancelled.	
	•		Multiple listings within12 months of the note date are ineligible	
Rental Income Long-Term Rental	Long-term Rental Income			
	•		Gross Rental Income is calculated using the lower of:	
	•		Executed Lease Agreement or 1007/1025 Market rent from appraisal (both must be included in the loan file)	
	•		Note: The executed lease agreement is not required for purchase transactions where the lease is not being transferred or there is no lease in place.	
	•		If the executed lease agreement reflects a higher monthly rent than the appraisal, it may be used in the calculation provided that the most recent three consecutive months of receipt can be documented with cancelled checks or other electronic records	
Rental Income Short-Term Rental	Short-term Rental Income			
	•		Short -Term Rental Income	
	•		Eligibility	
	•		Short-term rental income is permitted for both purchase and refinance transactions	
	•		Short-term rental income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location	
	•		LTV/CLTV limits and DSCR floors specified in Additional Criteria are met	
	•		Documentation Requirements	
	•		Short-term rental income may be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. The form must accompany and be part of the original appraisal.	
	•		Income must be verified through a third-party property management provider	
	•		Vendors such as Airbnb, VRBO, and HomeAway are acceptable	
	•		Documentation must include the property address or a unique property ID specific to the subject property	
	•		Calculation	
	•		Purchase Transactions	
	•		Gross rent is 100% of the estimated market rent from:	
	•		Form 1007/1025 OR	
	•		Supplemental appraisal form completed by the appraiser of record	
	•		Refinances	
	•		Use the lower of the following:	
	•		100% of the estimated market rent from:	
	•		Form 1007/1025 OR	
	•		Supplemental appraisal form completed by the appraiser of record	
			AND	

Reference Criteria (Continued)											
Rental Income Short-Term Rental					100% of the actual 12-month short-term rental income history, supported with documentation from Airbnb, VRBO, HomeAway, or a third-party management provider.						
					A full 12 month history is required for refinance transactions						
Rental Income Vacant Properties For Refinances	Vacant Properties For Refinance Transactions										
		Vacant properties are not eligible for refinance transactions unless:									
			The subject property recently underwent renovations or rehab with the intention of being rented out soon AND								
			The appraiser confirms that renovations/rehab were recently completed and provides visual evidence.								
		If the foregoing conditions are met, utilize the market rent from the 1007/1025 or supplemental appraisal form completed by the appraiser of record									
Reserves		Loan Amount					Minimum Reserve Requirements For Subject Property				
		<= \$500,000					3 months				
		\$500,001 to \$2,000,000					6 months				
		Reserves are calculated off the actual P&I plus taxes, insurance, and HOA fees (if any) (PITIA)									
		Reserves for Interest-Only loans are based upon the initial interest only payment (ITIA)									
		Reserves are only required for the subject property.									
		See Asset section for documentation requirements									
		Cash out proceeds may be used to satisfy the reserve requirement									
	Solar Panels		PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible								
			Follow all Fannie Mae guidelines								
State Restrictions		See Prepayment Penalty Section									
Subordinate Financing		Not permitted (new and existing)									

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