

FIRST CLASS P&L ONLY Matrix



Matrix				Primary Residence		Second Home		Investment	
				P & L Only 12 & 24 Month		P & L Only 12 & 24 Month		P & L Only 12 & 24 Month	
Loan Amount	Reserves Month	Max DTI %	FICO	Purchase R/T	Cash Out	Purchase R/T	Cash Out	Purchase R/T	Cash Out
125,000 to 750,000	3	50	720	80	70	75	65	75	65
			700	80	70	75	65	75	65
			680	75	70	70	65	70	65
			660	65	N/A	60	N/A	60	N/A
750,001 to 1,000,000	3	50	720	80	70	75	65	75	65
			700	80	70	75	65	75	65
			680	75	70	70	65	70	65
			660	65	N/A	60	N/A	60	N/A
1,000,001 to 1,500,000	6	50	720	80	70	75	65	75	65
			700	80	70	75	65	75	65
			680	75	70	70	65	70	65
			660	65	N/A	60	N/A	60	N/A
1,500,001 to \$2,000,000	6	50	720	80	70	75	65	75	65
			700	80	70	75	65	75	65
			680	70	65	65	60	65	60
			660	60	N/A	55	N/A	55	N/A
2,000,001 to 2,500,000	9	50	720	80	70	75	65	75	65
			700	75	65	70	60	70	60
			680	60	50	55	N/A	55	N/A
			660	N/A	N/A	N/A	N/A	N/A	N/A

LTV Restrictions		
		LTV
Property Type	2-4 Unit	80%
Interest Only		75%
Gift of Equity		10% Reduction
State Restriction Florida	P&L Only Requires 3 Months of Supporting Bank Statements	Max 75% LTV

FIRST CLASS P&L ONLY Documentation



Income	
P & L Only	Self-employed for minimum of 2 years with a minimum of 50% ownership in the business income is being derived from
	A letter from the CPA, CTEC or EA on their business letterhead showing address, phone number, and license number is required with the following information:
	- The business name, borrower's name, and length and ownership percentage by the borrower.
	- CPA/CTEC/EA prepared Borrower's tax returns for the year(s) P&L (s) they have provided.
	- PTIN's are not acceptable to prepare/sign P&L statements
	Documented evidence the CPA is currently licensed in their state. In the case of CTEC or EA evidence active on IRS website
	The P&L must be signed and dated by the borrower, and the CPA/CTEC/EA within 60 days of Note Date
	The P&L must contain itemized expense and must be reasonable for the industry for the Borrower's line of work.
	Business Narrative required
1 Year Option	1 Year Option
	P & L for the most recent 12 months dated no earlier than 60 days prior to the Note Date
	To Calculate the income from the Year-to-Date P & L take the sum of the following:
	- Net Income
	- Depreciation
	- Depletion
	- Amortization
	- Salary or Distribution paid to the Borrower by the Business
	- Net Income
	The sum is divided by 12 and used as the qualifying income.
2 Year Option	3 Months Bank Statements are required
	- The average revenue for the 3 Months Bank Statements cannot be less than a 10% variance of the average monthly revenue on the P&L. If the 10% threshold is not met additional months bank statements may be added to meet the threshold.
	1 Year Option
	P&L for the most recent 12 months no earlier than 60 days prior to the note date AND P&L for the year prior to the most recent 12 month P&L
	To Calculate the income from the Year-to-Date P & L take the sum of the following:
	- Net Income
	- Depreciation
	- Depletion
	- Amortization
	- Salary or Distribution paid to the Borrower by the Business
	- Net Income
	The sum is divided by 12 for each year's P&L
	The income trend must be considered when documenting the Borrower's income.
	- If the income is increasing from the prior year the most recent calendar year, then average income to qualify

Income (Continued)			
2 Year Option	• 3 Months Bank Statements are required		
	•	The average revenue for the 3 Months Bank Statements cannot be less than a 10% variance of the average monthly revenue on the P&L. If the 10% threshold is not met additional months bank statements may be added to meet the threshold.	
Supplemental Income	• Salary and Wages		
	•	Most recent 30 days' pay stubs and previous year(s) W-2 from the Borrower or Co-Borrower's non self-employed income	
	• Rental Income		
	•	Copy of the current lease and 2 months proof of rent receipts	
	•	If the property is newly rented then the receipt of first month's rent and security deposit must be documented.	
	•	75% less the PITIA must be used to calculate the income or loss	
	• Alimony or Child Support		
	•	Document the support will continue for at least 3 years by one of the following:	
	•	Copy of divorce decree or separation agreement	
	•	Other type of written legal agreement or court decree	
	•	Document at least six months receipt of full payments made consistently	
	• Disability Income		
	•	Obtain a copy of the Borrower's disability policy or benefits statement. This will determine current eligible for the benefits, amount and frequency of payments, current proof of receipt, and if there is a contractually established termination or modification date.	
	•	Generally, long-term disability will not have a defined expiration date and should be expected to continue.	
	•	If it is short-term disability that will decrease within the next 3 years because of a conversion to long-term disability, the amount of the long-term must be used as income to qualify the Borrower.	
	•	If the short-term disability will decrease in the near term due to a return to work, the following is also required:	
	•	A signed letter from the Borrower stating the intent to return to work once the disability no longer exists	
	•	Verification from the employer stating the Borrower will be allowed to return to work once the disability no longer exists	
	• Foster Care		
	•	Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following are met:	
	•	Verify the foster-care income with letters of verification from the organizations providing the income	
	•	Document that the Borrower has a two-year history of providing foster-care services	
	•	If the Borrower has not been receiving this type of income for 2 full years, the income may be counted as stable if the Borrower has at least a 12-month history of providing foster-care services	
	•	The income may not represent more than 30% of the total gross income that is used to qualify for the mortgage loan	
	• Notes Receivable Income		
	•	Verify the income can be expected to continue for a minimum of 3 years from the date of mortgage Note.	
	•	Obtain a copy of the Note to establish the amount and length of payment	
	•	Document regular receipt of income for the most recent 12 months using either cancelled checks or bank statements	
	•	Payments on Note executed within the past 12 months, regardless of duration, may not be used as stable income	
	• Pension, Retirement, Annuity		
	•	Document regular and continued receipt of income, as verified by letters from the organizations providing the income, copies of retirement award letters, or 1099 forms, along with at least a one-month proof of current receipt	

Income (Continued)			
Supplemental Income		•	If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least 3 years after the date of the mortgage Note.
		•	In addition, the Borrower must have unrestricted access to the accounts without penalty
		•	Royalty Income
		•	Obtain copies of the following:
		•	Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income
		•	Confirm that the Borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of 3 years after the date of the mortgage Note.
		•	Social Security Income
		•	Social Security income for retirement or long-term disability, drawn by the Borrower from his or her own account/work record, will not have a defined expiration date and should be expected to continue.
		•	Eligibility needs to be documented with either a copy of the retirement, disability, or supplemental award letter, along with at least one month proof of receipt.
		•	Benefits based upon another person's account for retirement, disability, or supplemental income require a copy of the award letter, current proof of receipt, and evidence of a three-year continuance.
		•	Trust Income
		•	Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the following:
		•	The Borrower is a beneficiary
		•	The amount, frequency, and duration of the payments
		•	The trust income will continue for at least 3 years from the date of the mortgage Note.
		•	Obtain a copy of the Borrower's bank statements verifying receipt of the income
		•	VA Benefit Income
		•	Document the Borrower's receipt of VA benefits with a letter or distribution form from the VA
		•	One-month proof of receipt
		•	Verify the income can be expected to continue for a minimum of 3 years from the date of mortgage Note.
		•	Verification is not required for VA retirement or long-term disability benefits
		•	Education benefits are not acceptable income because they are offset by education expenses

Quick References			
Acreage		•	Maximum 10 acres
Age of Documents		•	Credit Report - 120 days from the Note Date
		•	Income - 60 days from the Note Date
		•	Assets - 60 days from the Note Date
		•	Appraisal - 120 days, 180 days with recert of value before the 120 days
		•	Preliminary Title - 90 days from the Note date
		•	Loan amounts < \$2,000,000 = 1 Full Appraisal
Appraisal		•	Fannie Mae Collateral Underwriter (CU) with a score of ≤ 2.5 or
		•	CDA from Clear Capital must reflect value within 10% tolerance of the appraised value
		•	If 2 appraisals are ordered an enhanced desk review is not required
		•	Loan amounts > \$2,000,000 = Two Full Appraisals or when any of the following conditions exist:

Quick References (Continued)				
Appraisal		The transaction is a flip as defined in the Property Flipping section (See Guidelines)		
		As required under the Appraisal Review Products section (See Guidelines)		
		When a second appraisal is provided, the transaction's "Appraisal Value" will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.		
Assets Seasoning		Assets must be sourced and seasoned for 60 days		
Assets Eligible		Accounts statements (Bank, Credit Union, Brokerage, etc.) covering the seasoning period for the applicable program		
		Stocks, Bonds, Mutual funds - 70% of stock accounts may be considered in the calculation of assets for closing and 100% may be used for reserves		
		Vested retirement accounts - 70% may be considered for down payment and closing costs.		
		- If the Borrower is using vested retirement account for reserves 100% can be used		
		Life insurance and annuities - the surrender value of life insurance and annuities can be used to meet the reserve requirements		
		Business funds may be used for down payment, closing costs and reserves.		
		- The Borrower must be listed as an owner of the account and the account needs to be verified according to the above requirements. A CPA letter must be included that the withdrawal will not harm the financial strength of the business is only required if income from that business is being used to qualify in the transaction		
		- The ending balance of business funds used may be the lessor of 100% of the ending balance or the percent of business ownership of the ending balance - If the loan is vested in the name of the business 100% of the business funds may be used		
		Cash-Out proceeds can be used to meet the reserve requirement		
Assets Gift Funds		Gift funds are permitted for down payment and closing costs only		
		No minimum contribution from the Borrower is required		
		10% Reduction to max LTV with a gift of equity		
		Gift of equity not permitted on a 2nd Home or Investment Property (Business Purpose)		
		A gift can be provided by:		
		- A relative, defined as the Borrower's spouse, child or other dependent, or by any other individual who is related to the Borrower by blood, marriage, adoption, or legal guardianship; or		
		- A non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative or God Parent		
		- The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent or any other interested party to the transaction		
Assets Ineligible		Non-Vested or restricted stock accounts		
		Any assets which product income or are used as income already included in the income calculation		
		Assets/Funds held outside the US		
		Cash-on-hand		
		Sweat equity		
		Grant Funds		
		Down payment assistance programs		
		Unsecured loans or cash advances		
		Crypto Currency		
Borrower Citizenship		US Citizen	Permanent Resident Alien	
		Non-Permanent Resident Alien		
		- Borrower has Social Security Number and current verified status, which may be documented by a valid EAD Card or		

Quick References (Continued)			
Borrower Citizenship			• Current VISA E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
Cash-Out Refinance			• LTV > 70% Maximum Cash-Out is \$500,000
			• Cash-Out may be used as reserves
Compliance			• No Section 32 or state High Cost
			• Loans must comply with all applicable federal and state regulations
			• Fully documented Ability to Repay including Borrower Attestation
			• Impounds required on LTV > 80% or HPML loans unless otherwise specified by applicable state law (California impounds required at LTV > 90%)
Credit Score			• The qualifying credit score is the credit score of the borrower with the greatest income among all Borrowers. If Borrowers have equal earnings, the Lower Qualifying score among those Borrowers.
			• The Qualifying Score is:
			• The Middle score for Borrowers with three Credit Scores or
			• The Lower score for Borrowers with two Credit Scores.
		•	If a Non-Occupying Co-Borrower is being used to qualify for the loan will be the lower of credit score for the occupying Borrower with the greatest income and the Non-Occupying Co-Borrower
Credit Tradelines			• 3 tradelines reporting for 12 months
			• 2 of the 3 tradelines must have been active in the last 12 months
			• The following are eligible tradelines
			• Any account reported by Experian, Trans Union or Equifax
			• Verification of mortgage in accordance with these guidelines
			• Verification of rent in accordance with these guidelines
			• Verification of installment debt in accordance with these guidelines
		•	Minimum credit score 660
Credit Mortgage & Housing History			• No more than 1X30X12 and 0X30X60 on any mortgage or rental payment
			• All borrowers must document their current housing payment history for the most recent 12 months. If not reflected on the credit report, the following documentation is required.
			• Mortgage and/or 2nd Liens
			• Loan payment history from the servicer or third-party verification service
			• Verification of mortgage (VOM) from institutional lender OR most recent 12 months cancelled checks or bank statements
			• Verification of mortgage (VOM) from a private lender OR most recent 12 months cancelled checks or bank statements
		•	Owned Free & Clear
		•	Most recent 12 months property taxes are paid on time
		•	Rent Payments
			• Canceled checks can be provided. In lieu of cancelled checks, the lender may use the borrower's bank statements, copies of money orders or other reasonable methods for documenting timely housing payments. The documentation must clearly indicate the payee and amount being paid and reflect the payments were made on a consistent basis for the last 12 months; OR
			• Direct Verification of payment of rent from the landlord, both Canceled checks can be provided. In lieu of cancelled checks, the lender may use the borrower's bank statements, copies of money orders or other reasonable methods for documenting timely housing payments. The documentation must clearly indicate the payee and amount being paid and reflect the payments were made on a consistent basis for the last 12 months; OR

Quick References (Continued)													
Credit Mortgage & Housing History			• Direct Verification of payment of rent from the landlord, both individual and managements compiles for the 12 months landlords and management compiles for 12 months.										
			• First Time Homebuyer Living Rent Free:										
			• Only permitted on primary residence transactions										
Credit Derogatory			• The Seasoning Requirements for major derogatory credit is four (4) years on Bankruptcy, Foreclosure Short Sale/Deed In Lieu:										
			• The Length of time will be measured on the below:										
			• Bankruptcy will be measured by discharge/dismissal date to the Note Date										
			• Foreclosure will be measured by settlement date to the Note date, unless included in a bankruptcy then the discharge date of the bankruptcy to the Note date will be used.										
			• Short Sale/Deed-in-Lieu will be measured by the completion date to the Note date unless included in a bankruptcy then the discharge date of the bankruptcy to the Note date will be used.										
			• Forbearance, loan modifications, or deferrals are treated as a short sale/ Deed-in-Lieu for eligibility and pricing purposes										
			• Any loan in forbearance or a deferral due to COVID-19 is not considered derogatory credit and is still eligible for purchase at standard LTV and reserves if one of the following g is true.										
			• The loan is fully reinstated meaning the deferred balance was paid in full and the source of the funds used to pay the deferred balance has been sourced to an allowable asset in accordance with section 8 of these underwriting guidelines, and the borrower has made at a minimum the last 3 months consecutive payments										
			• The Borrower has exited the forbearance or deferment and has made at least 6 months consecutive payments										
		• Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.											
Limitation on Financed Properties			• Capped at 6 loans or \$5,000,000 (whichever comes first)										
Prepayment Penalty			• Required on business purpose loans/Investment properties only										
			• 1, 2, and 3 Year Options Available										
			• If the state does not allow prepayment penalty, the prepayment penalty must be bought-out										
Property Types Eligible			SFR	•	Warrantable Condominium	•	Non-Warrantable Condominiums	•	PUD				
			• Rural Properties must be residential in nature and allowed on Primary Only. Ineligible for 2nd Home & Investment Properties.							•	Maximum acreage is 10		
Property Types - Ineligible See Guidelines for Complete List			Manufactured Home	•	Condotels	•	Mixed-Use	•	Log Homes	•	Multi-Family 5+ Units	•	Modular Homes
			• Florida Cono Projects subject to Florida SB-4D requirements for Structural Integrity Studies and Milestone Structural Inspections.										
Property Flips			• A property is considered a "flip" when the subject property is a primary reside3nce and classified as an HPML transaction (subject loan APR exceeds the APOR/Average Prime Offer Rate by more than 1.5%) whereby either of the following is present:										
			• The price in the Borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the purchase agreement										
			• The price in the Borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the purchase agreement										
			• Flip transactions must comply with the TILA HPML Appraisal Rule in Reg Z including second appraisal										
			• Property Seller on the purchase contract must be the owner of record										
			• Increases in value are to be documented with commentary from the appraiser and recent comparable sales										
		• Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waiver, etc.) must be provided, if applicable.											
Qualifying Payment			• Higher of the fully indexed rate or the note rate amortized over the amortization period plus the monthly real estate taxes, insurance and association dues.										

Quick References (Continued)	
Seasoning	Rate and Term: No seasoning. At least 1 borrower from the existing loan must be in the new loan.
	Cash Out: 6 months from existing Note date to application date of new loan. LTV/CLTV is the lower of the purchase price or appraised value including delayed financing
	Refinance of previous loan that provided cash-out, as measured from the previous note date to application date, and is seasoned less than 12 months, will be considered a cash-out refinance.
Seller Concessions Interested Party Contributions	Primary and 2nd homes: (LTV 75.01-85 % up to 6% toward closing - 75% LTV of less max 9%
	Investment: Maximum 3% For All LTV's
States & Cities Ineligible	Investment Properties located in Baltimore City, MD and Philadelphia PA
	Investment Properties located in Baltimore City, MD and Philadelphia PA
Subordinate Financing	CLTV max = LTV max
Texas Section 50(a)(6) Loan Parameters	Fixed 30 Year, 5/1 ARM, 7/1 ARM Fully amortized only - Interest Only Feature is ineligible
	Owner Occupied Properties Only
	Maximum LTV 80%
	1 - Unit Properties only (including Condos)
	1st Lien Only
	See Guidelines for additional Restrictions

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