# NQM Investor Program – Underwriting Guidelines

**Program Qualifications**
This program qualifies borrowers based on cash flows solely from the subject property and is designed for both experienced real estate investors and first time investors provided certain qualifications are met. First Time Home Buyer is not allowed. Generally, borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 12 months. Proof of this investor experience must be in loan file.

**NOTE:** Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are ineligible for any NQM Series programs.

**Investment Property**

**DSCR ≥ 1.00**

| Units | FICO[1] | Loan Amount | LTV/CLTV/HCLTV[1,4] Purchase | LTV/CLTV/HCLTV[1,4] Rate/Term Refinance | LTV/CLTV/HCLTV[1,4] Cash-Out Refinance[2] | Reserves (months) | Housing History | Credit Event[3] |
|---|---|---|---|---|---|---|---|---|
| 1-4 | 700 | $1,000,000 | 75% | 75% | 75% | 6 | 1x30x12 | 48 |
| | 680 | | 75% | 75% | 70% | | | |
| | 660 | | 75% | 70% | 70% | | | |
| | 640 | | 65% | 65% | N/A | | | |
| | 700 | $1,500,000 | 75% | 75% | 70% | | | |
| | 680 | | 75% | 70% | 70% | | | |
| | 660 | | 75% | 70% | 70% | | | |
| | 640 | | 65% | N/A | N/A | | | |
| | 720 | $2,000,000 | 75% | 75% | 65% | | | |
| | 700 | | 70% | 70% | 65% | | | |
| | 680 | | 70% | 65% | 65% | | | |
| | 660 | | 65% | 65% | 65% | | | |
| | 700 | $2,500,000 | 65% | N/A | N/A | 12 | | |

**DSCR ≥ 0.75 and < 1.00**

| Units | FICO[1] | Loan Amount | LTV/CLTV/HCLTV[1,4] Purchase | LTV/CLTV/HCLTV[1,4] Rate/Term Refinance | LTV/CLTV/HCLTV[1,4] Cash-Out Refinance[2] | Reserves (months) | Housing History | Credit Event[3] |
|---|---|---|---|---|---|---|---|---|
| 1-4 | 700 | $1,000,000 | 75% | 75% | 70% | 9 | 0x30x12 | 48 |
| | 700 | $1,500,000 | 70% | 70% | 65% | | | |
| | 700 | $2,000,000 | 70% | 70% | 65% | | | |
| | 700 | $2,500,000 | 60% | N/A | N/A | 15 | | |

**DSCR < 0.75**

| Units | FICO[1] | Loan Amount | LTV/CLTV/HCLTV[1,4] Purchase | LTV/CLTV/HCLTV[1,4] Rate/Term Refinance | LTV/CLTV/HCLTV[1,4] Cash-Out Refinance[2] | Reserves (months) | Housing History | Credit Event[3] |
|---|---|---|---|---|---|---|---|---|
| 1-4 | 720 | $1,000,000 | 70% | 65% | 60% | 9 | 0x30x12 | 48 |
| | 700 | | 65% | 65% | 60% | | | |
| | 700 | $1,500,000 | 65% | 65% | 60% | | | |

**Footnotes**:
[1]Interest Only requires minimum 700 FICO and maximum 70% LTV
[2]Cash-Out Refinances: Maximum cash-out for LTV > 60% = $500,000. Otherwise, maximum cash-out is $1,000,000.
[3]Minimum 2 year seasoning allowed at certain LTV/ – see "Credit" section of these guidelines
[4]Condo and 2-4 Unit: Maximum 75% LTV for purchase OR maximum 70% LTV for refinances

**Product Codes**

**Fully Amortizing**

| Product Code | Hybrid ARM |
|---|---|
| IA56IN | NQM Investor 5/6 SOFR ARM |
| IA76IN | NQM Investor 7/6 SOFR ARM |
| **Product Code** | **Fixed** |
| IF30IN | NQM Investor 30 Year Fixed |

**Interest Only**

| Product Code | Hybrid ARM |
|---|---|
| IA56INIO | NQM Investor 5/6 SOFR ARM Interest Only |
| IA76INIO | NQM Investor 7/6 SOFR ARM Interest Only |
| **Product Code** | **Fixed** |
| IF30INIO | NQM Investor 30 Year Fixed/10 Year Interest Only |
| IF40INIO | NQM Investor 40 Year Fixed/10 Year Interest Only |

## Eligibility Requirements

| | |
|---|---|
| **Adjustable Rate Details** | **Interest Rate Adjustment Caps**: Initial (5/6): 2% up; Subsequent: 1% up/down; Lifetime: 5% up<br>Initial (7/6): 5% up; Subsequent: 1% up/down; Lifetime: 5% up<br>**Margin**: See rate sheet<br>**Index**: 30-day average SOFR as published by the New York Federal Reserve<br>**Index Establish Date**: 45 days prior to the change date (aka "look back period")<br>**Interest Rate Floor**: Margin<br>**Reset Period**: 6 months<br>**Conversion Option**: None<br>**Assumption**: ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)<br>**Negative Amortization**: None<br>**Interest Only Option**: Interest Only period is the first 10 years of the loan<br>**Notes / Riders**: Correspondent Sellers: See correspondent website "Forms and Resources/NQM Documents/Quick Reference Document Form Requirements" for specifics. |
| **Age of Documentation** | Credit Report: Within 90 days of the Note Date<br>Income/Asset/Reserves Docs: Within 60 days of the Note Date. When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement.<br>Title Report: Within 120 days of the Note Date<br>Appraisal: Within 120 days of the Note Date. If older than 120 days from the Note Date, but within the preceding 12 months from the Note Date, the Appraisal Report may be used with an acceptable recertification of value completed on *Appraisal Update and/or Completion Report (Form 1004D)*. An Appraisal Update and/or Completion Report must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal.<br>• If the appraiser indicates on the Form 1004D that the property value has declined, a new appraisal for the property must be obtained.<br>• If the appraiser indicates on the Form 1004D that the property value has *not* declined, no additional fieldwork is required.<br>**Note**: The appraisal update must occur within the 120 days that precede the date of the note and mortgage<br>The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used. |
| **Appraisal Requirements** | **Loan Amount** / **Appraisal Requirement**:<br>≤ $1,500,000: One Full Appraisal<br>> $1,500,000: Two Full Appraisals<br>Additional Collateral Valuation Requirements (when a second appraisal is not obtained):<br>• Option 1: A Fannie Mae Collateral Underwriter (CU) appraisal review that meets the following:<br>o 1-unit property only (this is a CU limitation)<br>o CU Risk Score ≤ 2.5<br>When the above requirements are met, an ARR or CDA in Option 2 below is not required.<br>• Option 2: A Pro Teck Valuation Services Appraisal Risk Review (ARR) **OR** a Clear Capital Collateral Desktop Analysis (CDA) from an approved vendor is required and must support the value within no more than 10% below the appraised value.<br>If the ARR/CDA is higher than the appraised value or less than 10% below the appraised value, use the appraised value for LTV purposes. If the ARR/CDA is more than 10% below the appraised value, then a second appraisal is required whereby the lower of the two values must be utilized for LTV purposes.<br>When two full appraisals are obtained, use the lesser value for LTV purposes.<br>For rate/term refinance transactions, the subject property must not be currently listed for sale. It must be taken off the market prior to the application date of the new mortgage loan. For cash-out refinance transactions, the subject property must not have been listed for sale for at least 6 months prior to the application date. For all refinance transactions, the borrower must confirm their intent to occupy the subject property (for primary residence transactions) and/or their intent to retain the property going forward. |

If an appraisal (either one when two are obtained) indicates the subject property is located in a declining market, reduce maximum LTV by 5%.

Appraisals must be ordered through an Impac approved Appraisal Management Company (AMC).

**Assets/Reserves**

| Loan Amount | Required Reserves (PITIA) for Subject Property |
|---|---|
| ≤ $2,000,000 | 6 months |
| > $2,000,000 | 12 months |

The ARM Note Rate is used to determine P&I payment (if fully amortizing loan) or Interest Only payment (if interest only loan) for subject property reserves purposes. See ***Income*** section for requirements.

<u>DSCR < 1.00</u>: Additional 3 months reserves required

<u>Marketable Securities</u>: Use 90% of value. Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.

<u>Retirement Accounts</u>: Use 70% of the vested balance (net of any outstanding loans) for IRA/SEP/Keough/401(k) accounts if not retirement age, or 80% if retirement age and no early withdrawal tax penalty applies.

<u>Business Assets</u>: Business assets are an acceptable source for down payment, closing costs, and reserves for self-employed borrowers. Ownership percentage of at least 50% and authority to access funds must be documented via CPA Letter, Operating Agreement or equivalent. The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of the business assets allowed for the transaction. Large deposits must be sourced to validate the funds are eligible.

<u>Cash-Out for Reserves</u>: Proceeds from a cash-out refinance may be used toward the reserve requirement.

<u>Gift Funds for Reserves</u>: Not Allowed

<u>Waiver of Reserves</u>: A waiver of reserves is allowed for Rate/Term refinance transactions only provided all borrowers meet all of the following requirements:

- Minimum 680 FICO
- LTV/CLTV/HCLTV ≤ 75%
- Mortgage and/or rent rating of 0x30x12 (must be consecutive, no short/missing pay history allowed, no prior forbearance allowed)
- No history of bankruptcy, foreclosure, short sale, deed-in-lieu of foreclosure, or mortgage charge-off

**Borrower Eligibility**

<u>Eligible</u>:

- U.S. Citizens
- Permanent Resident Aliens
- Inter Vivos Revocable Trust
- U.S. Based LLC's
- Privacy Trusts (considered on case-by-case basis)

<u>Ineligible</u>:

- Borrowers with a <u>U.S. student visa</u>. Student visa types include: F Visa (e.g., F-1, F-2, F-3), J Visa (e.g., J-1, J-2), and M Visa (e.g., M-1, M-2, M-3).
- Non-Permanent Resident Aliens
- Foreign Nationals
- Land Trusts
- Partnerships and Corporations
- Nominee or Blind Trusts
- First Time Home Buyers

**Credit**

<u>Credit Score</u>:
The representative score for each borrower is:

- The middle score when three scores are obtained, or
- The lower score when two scores are obtained
- If only one score is obtained, the borrower is ineligible

The representative score for the loan is the lowest representative score of all borrowers.

<u>Tradeline Requirements (for borrowers who contribute income or assets in loan qualification)</u>:

- Minimum of 3 trade lines.
- At least one trade line must be active in the last 6 months.
- Trade lines may be open or closed, with one seasoned trade line having a minimum 24-month rating and one trade line with at least a $5,000 high credit limit.
- The activity, seasoning and high credit limit requirements may be met with the same trade line.
- Authorized user trade lines are not eligible for any portion of the credit requirement.
- When spouse is co-borrower only one borrower is required to have the credit depth listed above.

Mortgage/Rental Lates: Maximum 1x30 in the last 12 consecutive months (or 0x30x12 for DSCR < 1.00).

- Applies to all mortgages on all properties. Mortgages that do not appear on credit require a VOM from an institutional lender. Otherwise, private party VOM's must be substantiated by 12 months cancelled checks or bank statements.
- When documenting rental payment history, a Verification of Rent (VOR) from a third party management company is required. If the VOR is from a private party, cancelled checks or bank statements are required to support the VOR.
- For borrowers who currently own all property free and clear there is no mortgage/rent history requirement provided any closed mortgage meets the 1x30x12 requirement.
- Free and clear ownership counts as 0x30 for all months owned free and clear.

The charts below detail housing payment history requirements for First Time Homebuyers and Non-First Time Homebuyers (i.e. had ownership interest in property at some point in the last 3 years). The left column details the Standard payment history requirement. The right column details restrictions when the Standard requirement cannot be met. In other words, the Standard requirement is not met when the borrower cannot document a verifiable housing payment history spanning the most recent and consecutive 12 months (e.g. borrower's history is less than 12 months or there is no verifiable history during the last 12 months). In all cases, Standard or not, housing payment history cannot exceed 1x30 in the last 12 consecutive months.

| **First Time Homebuyer (No Ownership Last 3 Years)** | |
|---|---|
| Standard Requirement<br>(Housing History Satisfied) | Standard Requirement Not Met<br>(Missing or < 12 Months Housing History) |
| Ineligible | Ineligible |

| **Non-First Time Homebuyer (Ownership within Last 3 Years)** | |
|---|---|
| Standard Requirement<br>(Housing History Satisfied) | Standard Requirement Not Met<br>(Missing or Short Housing History) |
| • VOM/VOR: Max 1x30x12, and<br>• Payment history for the most recent and consecutive 12 months prior to application required. | Maximum 80% LTV and minimum 680 FICO |

Bankruptcy (Ch. 7, 11 and 13), Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts and Foreclosure: None in last 4 years.

- Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts: If ≥ 2 years and < 4 years, max 70% LTV or existing guidelines, whichever is lower.
- Foreclosure: If ≥ 3 years and < 4 years, max 70% LTV or existing guidelines, whichever is lower.

COVID-Related Forbearance: Borrower(s) must not be in forbearance on any mortgage as of the Note Date of the subject transaction. Borrower Attestation is required. Below are acceptable scenarios and seasoning requirements. In all cases, the borrower must be due for the current payment on all mortgages as of the closing date.

- No Seasoning Requirement:
  - Borrower entered forbearance but continued to make timely monthly payments.
  - Borrower entered forbearance, missed one or more monthly payments but caught up via lump sum payment. If the lump sum payment occurred after the application date, the funds use to make the lump sum payment must be documented from an eligible asset source.
- Seasoning Required:
  - Borrower entered forbearance, missed one or more monthly payments and entered into a loss mitigation solution as a result of their inability to catch up and bring their mortgage payments current. Examples of loss mitigation solutions include, but are not limited to, repayment plans, payment deferrals and modifications. The new loan is eligible provided 3 timely payments have been made since the borrower entered into the loss mitigation solution.

Judgment/Tax Lien/Collections/Charge-Offs:

- Judgments and Tax Liens on title must be paid. If there is evidence in the file of judgments and/or tax liens and they are not on title, they may remain open provided the borrower can demonstrate a 6-month satisfactory payment history and the debt is included in the DSCR (if subject property related).
- Medical collections are excluded regardless of amount
- Any charge-offs or non-medical collections in the last 12 months may remain unpaid if individually < $1,000 or < $2,000 in aggregate. Otherwise, accounts must be paid in full prior to or at closing.

Disputed Accounts: Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date:

- If the disputed account(s) has no derogatory information – the underwriter must evaluate for acceptability and address their decision on the 1008.
- If the disputed account(s) has derogatory information – the dispute must be removed and a new credit report must be pulled.

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| | Frozen Credit: If the borrower's credit is frozen at one of the credit repositories, the credit report is still acceptable as long as:<br>• Credit data is available from two repositories,<br>• A credit score is obtained from at least one of those two repositories, and<br>• A three in-file merged report was requested.<br>Loans for borrowers with credit data frozen at two or more of the credit repositories are not eligible.<br><br>Authorized User Accounts: The underwriter may make the determination that an authorized user account(s) has an insignificant impact on the borrower's overall credit history and the information on the credit report is representative of the borrower's own credit reputation. The underwriter should base their determination on the number of the borrower's own tradelines, as well as their age, type, size and the payment history, as compared to the authorized user account(s). The underwriter must document their determination on the 1008. |
| **Escrow Accounts / Impounds** | Impounds are not required unless either of the following:<br>• The loan is a higher-priced mortgage loan (HPML) transaction. HPML transactions require a minimum 5 year escrow period (CFPB TILA Escrow Rule).<br>• Flood insurance is required (i.e. impounds for flood insurance are required if subject in a flood zone) |
| **Escrow Holdbacks** | Not permitted |
| **Fraud Report** | Required |
| **Geographical Locations/Restrictions** | All states (including DC) are eligible for all channels except for:<br>• DE, MA, ME, MO, WY<br>• Interest Only loans are not allowed in Illinois (all channels)<br>State specific regulatory requirements supersede all underwriting guidelines set forth by Impac. |
| **Gift Funds / Gifts of Equity** | Gift Funds Eligibility:<br>• Allowed for paying off debt, equity contribution refinances, and for closing costs and down payments.<br><br>Gift Funds for Reserves: Not permitted<br><br>Gift Funds and Borrower Contributions:<br>• If the borrower does not contribute 5% of their own funds for down payment, a 10% reduction in maximum LTV is required.<br><br>Gift of Equity:<br>• Allowed at ≤ 75% LTV<br>• Gifts of equity are allowed on sales between immediate family members for existing properties only.<br>• A signed gift letter is required for all gift funds and gifts of equity. Transfer of funds or evidence of receipt must be documented prior to or at closing.<br><br>Acceptable Gift Fund and Gift of Equity Donors:<br>• Borrower's spouse, child, or other dependent<br>• Any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or the borrower's fiancé, fiancée, or domestic partner.<br>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. |
| **Income** | Loans qualified under NQM Investor are classified as business loans. Appendix Q and ATR requirements do not apply. A traditional DTI is not calculated for NQM Investor, and a 4506-C is NOT required. Rather, income used to qualify the borrower is based upon cash flow from the property. As such, a Debt Service Coverage Ratio (DSCR) is calculated in order to determine if the borrower qualifies.<br><br>**Debt Service Coverage Ratio (DSCR):**<br>• The DSCR is calculated by taking 100% (unless otherwise noted) of the gross rents divided by the PITIA of the subject property.<br>• Use the Note Rate to calculate PITIA for fully amortizing fixed rate and ARM loans. For interest only loans, use the interest only payment based on the Note Rate.<br>• Minimum DSCR:<br>    ○ FICO < 700: 1.00<br>    ○ FICO ≥ 700: See Eligibility Grid on Page 1. In addition to a minimum 700 FICO, any DSCR < 1.00 also requires housing history of 0x30x12 and an additional 3 mos of reserves.<br><br>**Gross Rent Requirements:**<br>• Purchase: Obtain Appraisal Form 1007 and use 100% of the gross market rent in DSCR calculation.<br>• Refinance: Obtain both a current lease agreement + most recent 3 months rent receipts for the subject property and Appraisal Form 1007. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed. Gross market rent used in the DSCR calculation must come from the lesser of the lease agreement or Appraisal Form 1007. However, if the lease agreement is higher than the gross market rent on |

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|---|---|
| | Appraisal Form 1007, gross market rent from the lease agreement may be used provided the lease agreement/rent receipts are within 25% tolerance of the market rent on Appraisal Form 1007.<br><br>Note: If refinancing a vacant property, a 20% Vacancy Factor must be applied to the gross market rent on Appraisal Form 1007 prior to calculating the DSCR.<br><br>**Short-Term Rentals:** Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement. Short-term rentals are permitted. Proof of receipt for the most recent 12 months is required. Use documented 12 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that month. Most recent months must be consistent with receipt patterns over the last 12 months.<br><br>**Experience Managing Investment Property:**<br>Borrowers must have a history of owning and managing commercial or residential investment real estate for at least 12 months in the last 3 years. An example of evidence includes a CPA letter confirming that a prior Schedule E was filed and reflected rental property, the year the tax return was filed, and identification of the investment property address filed on Schedule E. In conjunction, a property profile report should be obtained to confirm the borrower had ownership of the investment property identified by the CPA.<br><br>If the aforementioned experience requirements cannot be met and/or the borrower is a first time investor, the following requirements must be met:<br>• Must not be a first-time home buyer (i.e. must have had ownership interest in real property within the last 3 years)<br>• Minimum 680 FICO<br>• Minimum DSCR of 1.00<br>• Maximum 75% LTV<br><br>**Borrower Affirmation**:<br>Borrowers must acknowledge the loan is a "business purpose loan" by signing the *Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification.* |
| **Loan Purpose** | Purchase: Use lesser of purchase price or appraised value for LTV calculation.<br><br>Rate/Term Refinance:<br>The following are acceptable in conjunction with a rate/term refinance transaction:<br>• Paying off the unpaid principal balance of the existing first mortgage<br>• Paying off a purchase money 2nd mortgage (closed end or HELOC)<br>• Paying off a non-purchase money 2nd mortgage seasoned at least 12 months (note date to note date):<br>    o HELOC (Home Equity Line of Credit) must not have cumulative withdrawals exceeding $2,000 in the last twelve (12) months<br>• Paying off a PACE (aka HERO) loan<br>• Receiving cash back not to exceed the greater of 1% of the loan amount or $2,000.<br>• Use appraised value for LTV calculation<br><br>Cash-Out Refinance:<br>A cash-out refinance transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it. At least one borrower must have been on title for 6 months or have made payments on the existing mortgage for 6 months to be eligible for a cash-out refinance. Use appraised value for LTV calculation.<br>• If a property is owned by an LLC where the borrower(s) are at least 50% owners of the LLC, the time it was held by the LLC may be counted towards meeting the borrower's 6 month ownership requirement.<br>• Subject property purchased within the past 6 months is only eligible for a cash-out refinance provided Fannie Mae Delayed Financing Exception is met.<br><br>Maximum Cash-Out:<br>• LTV > 60% = $500,000; LTV ≤ 60% = $1,000,000<br><br>New York Consolidation, Extension & Modification Agreement (NY CEMA)<br>For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:<br>• NY Consolidation, Extension and Modification Agreement (Form 3172)<br>• Original Note(s) – Original documents signed by the borrower<br>• Gap Note and Gap Mortgage, if applicable<br>• Consolidated Note – Original documents signed by the borrower<br>• Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified<br>• Exhibit B – Legal description of the subject property<br>• Exhibit C – Copy of the consolidated Note<br>• Exhibit D – Copy of the consolidated Mortgage |

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| | Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed. |
| **Minimum Loan Amount** | $150,000 |
| **Mortgage Insurance** | Not required |
| **Multiple Financed Properties and Impac Exposure** | There is no limitation on the number of financed properties. Borrowers are limited to eight (8) loans with Impac not to exceed $3,000,000. |
| **Non-Arm's Length Transactions** | Not allowed |
| **Payment Shock** | Not Applicable |
| **Prepayment Penalty** | Permitted as follows;<br>• AL, AR, AZ, CA, CO[1], FL, GA, HI, IA, ID, IN[2], KY, LA, MO, MT, ND, NE, NH, NY*, NV, SC[3], SD[4], TN, TX[5], UT[6], VA, VT, WI, WV<br>**Footnotes**:<br>• [1] Colorado: Interest rate must be < 12%<br>• [2] Indiana: Fixed rate loans only (ARMs not allowed)<br>• [3] South Carolina: Loan amount must be > $225,000<br>• [4] South Dakota: Refinance transactions only (Purchase transactions not allowed)<br>• [5] Texas:<br>○ Interest rate must be < 12%, and/or<br>• [6] Utah: PPP not allowed if loan is high cost under Section 32 or state/county/local jurisdiction<br><br>**Eligible Prepayment Penalty Terms**:<br>• AZ, CA, FL, NV, NY, TX: 1 year, 2 year, 3 year, 4 year or 5 year terms available<br>○ Any amount prepaid during the prepayment penalty term will incur a prepayment charge equal to 3% of the amount prepaid.<br>• All other eligible states: 3 year term available<br>○ Any prepayment within any 36 month period (during the penalty period) that exceeds 20% of the original principal loan amount will trigger a prepayment charge in the amount of 6 months interest on the amount of the prepayment that exceeds 20% of the original balance of the note. |
| **Properties Affected by a Disaster** | When the Federal Emergency Management Agency (FEMA) releases a disaster declaration announcement whereby **individual assistance** is made available to an area containing the subject property, the property will require a re-inspection as follows based on the "incident start date" and the "incident end date."<br>• Loan files containing appraisal reports with an effective date prior to the "incident start date" are *ineligible* for funding and investor delivery without an accompanying property inspection product dated after the "incident end date."<br>• Loan files containing appraisal reports with an effective date on or after the "incident start date" are *ineligible* for funding and investor delivery without an accompanying property inspection product dated after the "incident end date."<br>• Appraisal reports with an effective date after the published "incident end date" require *no action* and may fund and be delivered to the investor provided there is no indication from the appraiser that there is an adverse impact on the property's value, condition, or marketability as a result of the disaster.<br>• All property inspection products must be dated after the published "incident end date" to allow loan file funding and investor delivery.<br>**Required Inspection Product**: An Exterior DAIR is required for inspections, including, but not limited to, earthquake, fire, landslide, and tornado. When the disaster is a flood, hurricane and/or water related disaster, and Interior inspection is also required. Regardless, all DAIR's must affirmatively indicate there is no adverse impact to value, condition, or marketability as a result of the disaster.<br><br>**Condo Requirements**: In addition to the subject unit itself, the DAIR must also assess the condition of the building in which the condo unit is located and assess any damage to the condo project's common elements.<br>**Damage Indicated on the DAIR**:<br><br>• If damage exists but does not impact the safety, soundness, or structural integrity of the property, the following is required in order to be eligible for delivery:<br>○ The repair items are covered by insurance, AND<br>○ Documentation of the professional estimates of the repair costs must be obtained and the lender must ensure that sufficient funds are available for the borrower's benefit to guarantee the completion of the repairs (i.e. borrower must document funds required to meet any applicable insurance deductible).<br>• If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is eligible to be delivered. |

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| | • Where damage exists to the building of a condo unit and/or the condo project's common elements, escalate to Enterprise Credit Policy. |
| **Property Types** | Eligible:<br>• 1 unit attached and detached SFR and PUDs<br>• Condominiums<br>• 2-4 units<br>• Leasehold Estates (term of the lease must extend 10 years beyond the date of loan maturity and must otherwise meet Fannie Mae Guidelines)<br><br>Ineligible:<br>• Condo hotel<br>• Co-ops<br>• Income producing properties with acreage<br>• Manufactured housing<br>• Modular homes<br>• Working farms, ranches or orchards<br>• Vacant land or land development properties<br>• Properties that are not readily accessible by roads that meet local standards<br>• Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate<br>• Boarding houses<br>• Bed and breakfast properties<br>• Properties that are not suitable for year-round occupancy regardless of location<br>• Properties located in Hawaiian lava zones 1 and 2<br><br>Unique Properties: May be considered on a case-by-case basis whereby additional restrictions may apply (e.g. max LTV of 80%). In all cases, the appraisal must provide similar comparable sales and address any marketability concerns. Following are unique properties that may be considered on a case-by-case basis:<br>• Rural Properties – a property is classified as rural if:<br>  • The appraiser indicates in the neighborhood section of the report a rural location; OR<br>  • The following two (2) conditions exist:<br>    o The property is located on a gravel road, and<br>    o Two of the three comparable properties are more than five (5) miles from the subject property<br>• Acreage greater than 10 acres.<br>• Properties zoned exclusively for agricultural purposes.<br>• Log Homes.<br>• Mixed Use<br>• Properties subject to oil and/or gas leases<br><br>Condo Project Reviews: Follow Fannie Mae guidelines for Project Review Waivers, Limited Reviews, Full Reviews (with or without CPM) and PERS Final Approvals. FHA approved condos are not permitted. Co-op and manufactured housing projects are ineligible. Condominium projects that do not meet Fannie Mae guidelines are considered non-warrantable. See below for non-warrantable project acceptability.<br><br>Non-Warrantable Condo Project Eligibility: A condo project is still considered eligible if the LTV/CLTV/HCLTV does not exceed 75% (purchase and rate term refinance) OR 70% (cash-out refinance) and no more than one of the following characteristics exist.<br>• Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns up to and including 25% of the total number of units in the project.<br>• Established Projects: For investment properties, less than 50% of the total units in the project have been conveyed to principal residence or second home purchasers. All occupancy types are allowed regardless of the project's investment property concentration.<br>• New Projects: Less than 50% of the total units in the project or subject legal phase have been conveyed or under contract for sale to principal residence or second home purchasers.<br>• Commercial space in the project is no more than 50% provided it is typical of the market area and has no impact on marketability. |
| **Subordinate Financing** | Subordinate financing is allowed subject to the following requirements:<br>• Must have regular monthly payments that cover at least the interest due so that negative amortization does not occur.<br>• Financing provided by the property seller is allowed for arm's-length transactions only in accordance with program CLTV limits.<br>• Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable.<br>• Loans may be escalated for consideration when the amount of the subordinate debt is minimal relative to the borrower's financial assets and/or credit profile.<br>• All subordinate financing must otherwise meet Fannie Mae guidelines. |

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| | • Required documentation: 1) Copy of Note, 2) Copy of Subordination Agreement. |
| **Title Vesting** | Eligible Vesting:<br>Vesting in the name of an individual(s), an Inter Vivos Revocable Trust or a U.S. based LLC is allowed for all loan programs provided it meets the following requirements:<br><br>• Inter Vivos Revocable Trust:<br>    o Must meet Fannie Mae requirements<br>    o Only trusts with natural person members are allowed<br>• U.S. based LLCs:<br>    o The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC<br>    o The borrower(s) on the loan application (1003) must be the same as the managing member and have documented authority to sign on behalf of the entity.<br>    o Only LLCs with natural person members are allowed.<br><br>Ineligible Vesting:<br>• Corporations<br>• Partnerships<br>• 501(c)(3) organizations<br>• Trusts or LLCs whose members include other LLCs, corporations, partnerships, or trusts.<br>• Trusts or LLCs where a Power of Attorney is used. |
| **Underwriting** | Loans must be manually underwritten and fully documented. For additional topics not specifically or fully addressed herein, Fannie Mae underwriting guidelines should be followed. The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion. |

# Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification

Date: Loan #:

Borrower Name:

Mailing Address:

Loan Program:

Property Address:

This document is intended to express your request to proceed with the above referenced loan. If you wish to proceed, please return a signed and dated copy of this document to [ENTER NAME AND ADDRESS OF LOAN OFFICE OR DEPARTMENT].

By signing and returning this document I am confirming I wish to continue with the loan, that the loan is for business purposes and not household purposes, and that the loan proceeds are intended to be used (and will in fact be used) for business purposes only, not for my personal use. I also represent that I do not occupy the property as my primary residence or as a vacation home. I intend to lease or rent the property to a third person. I understand that because the loan will be made exclusively for business purposes, laws applicable to consumer purpose loans, including but not limited to the following, are not applicable to this loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq*.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq*.), Gramm-Leach Bliley Act (15 U.S.C. §6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq*.), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq*.).

By signing below I confirm I have read and understand this document and I intend to continue with the loan, and affirm that the Property is to be a non-owner occupied investment property.

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| ______________________ | | ______________________ | |
| Borrower Name | Date | Borrower Name | Date |
| ______________________ | | ______________________ | |
| Borrower Name | Date | Borrower Name | Date |
| ______________________ | | ______________________ | |
| Borrower Name | Date | Borrower Name | Date |