

| Primary Residence                                       |                  | Maximum LTV/CLTV                          |                     |                     |
|---------------------------------------------------------|------------------|-------------------------------------------|---------------------|---------------------|
| Minimum FICO                                            | Max. Loan Amount | Purchase                                  | Rate/Term Refinance | *Cash-Out Refinance |
| 740                                                     | \$1,500,000      | 85                                        | 85                  | 80                  |
|                                                         | \$2,000,000      | 85                                        | 85                  | 75                  |
|                                                         | \$2,500,000      | 80                                        | 80                  | 70                  |
|                                                         | \$3,500,000      | 75                                        | 75                  | 65                  |
| 720                                                     | \$1,500,000      | 85                                        | 85                  | 80                  |
|                                                         | \$2,000,000      | 85                                        | 85                  | 75                  |
|                                                         | \$2,500,000      | 80                                        | 80                  | 70                  |
|                                                         | \$3,500,000      | 75                                        | 75                  | 65                  |
| 700                                                     | \$1,500,000      | 85                                        | 85                  | 80                  |
|                                                         | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 75                                        | 75                  | 65                  |
|                                                         | \$3,500,000      | 70                                        | 70                  | 65                  |
| 680                                                     | \$1,500,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$2,500,000      | 70                                        | 70                  | 65                  |
| 660                                                     | \$1,500,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$2,500,000      | 70                                        | 70                  | 65                  |
| Second Home                                             |                  | Maximum LTV/CLTV                          |                     |                     |
| Minimum FICO                                            | Max. Loan Amount | Purchase                                  | Rate/Term Refinance | *Cash-Out Refinance |
| 740                                                     | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 80                                        | 80                  | 70                  |
| 720                                                     | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 80                                        | 80                  | 70                  |
| 700                                                     | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 75                                        | 75                  | 65                  |
| 680                                                     | \$1,500,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$2,500,000      | 70                                        | 70                  | 65                  |
| 660                                                     | \$1,500,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$2,500,000      | 70                                        | 70                  | 65                  |
| Investment                                              |                  | Maximum LTV/CLTV                          |                     |                     |
| Minimum FICO                                            | Max. Loan Amount | Purchase                                  | Rate/Term Refinance | *Cash-Out Refinance |
| 720                                                     | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 75                                        | 75                  | 70                  |
|                                                         | \$3,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$3,500,000      | 70                                        | 70                  | N/A                 |
| 700                                                     | \$2,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,500,000      | 75                                        | 75                  | 70                  |
|                                                         | \$3,000,000      | 75                                        | 75                  | 65                  |
|                                                         | \$3,500,000      | 70                                        | 70                  | N/A                 |
| 680                                                     | \$1,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 75                                        | 75                  | 70                  |
|                                                         | \$3,000,000      | 70                                        | 70                  | 65                  |
| 660                                                     | \$1,000,000      | 80                                        | 80                  | 75                  |
|                                                         | \$2,000,000      | 70                                        | 70                  | 65                  |
| FTHB Restrictions                                       |                  | Declining Markets (Applied for LTV > 70%) |                     |                     |
| All occupancies allowed. Max loan amount is \$2,000,000 |                  | Reduce max LTV by 5%                      |                     |                     |
| Rural property                                          |                  |                                           |                     |                     |
| Max LTV/CLTV 70%                                        |                  |                                           |                     |                     |

\*For cash-out refinance, please refer to the cash-in-hand (cash back to the borrower) limitation.

Program Guidelines

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| Loan Terms                    | 30 Year Fixed, 40 Year Fixed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Interest Only                 | <ul style="list-style-type: none"> <li>30 years: I/O Term is 120 months, 240 months amortization</li> <li>40 years: I/O Term is 120 months, 360 months amortization</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| DTI                           | <ul style="list-style-type: none"> <li>Standard 50.00%</li> <li>For FTHB, refer to FTHB section of this guideline</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Underwriting Method           | <ul style="list-style-type: none"> <li>Manual underwriting only. For topics not addressed in this guideline, please contact the underwriting department.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Qualifying Payment            | <ul style="list-style-type: none"> <li>30 Year Fixed: Fully amortizing payment.</li> <li>30 Year Fixed with I/O: 20 years fully amortizing payment</li> <li>40 Year Fixed: Fully amortizing payment.</li> <li>40 Year Fixed with I/O: 30 years fully amortizing payment.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Min Loan Amount               | \$100,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Occupancy                     | Primary, Second Home, and Investment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Loan Purpose                  | Purchase, Rate/term, and Cash-out                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Income Documentation          | 12-months or 24-months Bank Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Age of Documents              | 90 days from closing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Number of Financed Properties | No limit, however, max exposure to this program is up to 8 loans or \$5,000,000 UPB.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Eligible Borrowers            | <ul style="list-style-type: none"> <li>US Citizen</li> <li>Permanent Resident with one the following acceptable evidence: <ul style="list-style-type: none"> <li>Green Card (I-551)</li> <li>Alien Registration Receipt Card (I-551) that does not have an expiration date.</li> <li>Conditional Resident Alien Card (I-551) that has an expiration date and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).</li> <li>Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of 3 years) reading “Processed for I-551 Temporary evidence of lawful admission for permanent residence. Valid Until [mm-dd-yy]. Employment authorized”.</li> </ul> </li> <li>Non-Permanent residency borrower must be eligible to work in the U.S. <ul style="list-style-type: none"> <li>Borrower must have resided in the U.S. for at least 2 years.</li> <li>Borrower must have been self-employed in the U.S. for at least 2 years.</li> <li>Must provide Valid EAD or Acceptable Visa. If the Visa/EAD expires within 6 months of loan application, the proof of extension has been requested must be obtained.</li> <li>Acceptable Visa types are E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, L-2 NATO, O-1, R-1, TN NAFTA.</li> </ul> </li> </ul> |
| First Time Home Buyer         | <ul style="list-style-type: none"> <li>Allowed for all occupancies.</li> <li>If one borrower is FTHB and the other is not, no restrictions apply.</li> <li>Property owned outside of the U.S. cannot be used for FTHB determination.</li> <li>Max loan amount: \$2,000,000.</li> <li>For investment property purchase, subject rent income cannot be used.</li> <li>DTI &gt; 40% must meet the payment shock test, max 300% <ul style="list-style-type: none"> <li>Payment shock = (Proposed housing payment / Current housing payment) x 100</li> <li>For borrowers with no housing obligation in the past 12 months, payment shock test is not required.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Non-Occupant Co-borrower      | <ul style="list-style-type: none"> <li>Allowed for Purchase and Rate/term refinance only</li> <li>Blended Ratios are allowed using one of the three options below: <ul style="list-style-type: none"> <li>Option 1 <ul style="list-style-type: none"> <li>(1) Occupying borrower must have a DTI &lt;= 60%, AND</li> <li>(2) A minimum 5% own contribution from the occupying borrower, AND</li> <li>(3) Occupant borrower must have 50% of the reserve requirement</li> </ul> </li> <li>Option 2 <ul style="list-style-type: none"> <li>(1) Occupying borrower must have a DTI &lt;= 75% with combined DTI &lt;= 40%, AND</li> <li>(2) A minimum 5% own contribution from the occupying borrower, AND</li> <li>(3) Occupant borrower must have 50% of the reserve requirement</li> </ul> </li> <li>Option 3 <ul style="list-style-type: none"> <li>(1) LTV &lt;= 70%, blended ratio is allowed without restrictions</li> <li>(2) No down payment or reserves need to be occupying borrower’s own funds</li> </ul> </li> </ul> </li> </ul>                                                                                                                                                                                                                                                                    |
| Properties                    | <ul style="list-style-type: none"> <li>Eligible Property types: SFR, PUD, Condominium, 2-4 units</li> <li>Acreage of 20 or less <ul style="list-style-type: none"> <li>Rural property Max LTV/CLTV 70%.</li> <li>Property is rural when 2 of the 3 listed below are present OR the appraiser has designated the property as rural <ul style="list-style-type: none"> <li>(1) Non paved service road</li> <li>(2) 2 or more comps are &gt; 5 miles away from the subject property</li> <li>(3) Subject surrounding area is less than 25% built up</li> </ul> </li> </ul> </li> <li>Ineligible: New condo projects, C5/C6 rating, Q6 rating, Condotel &amp; resort style Condos, Agricultural features (vineyards, farms, ranches, orchards, etc.), Zoning violations or illegal use, Properties on</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Properties (Continued)                        | Native American Land, Mixed use, Manufactured, Mobile, Co-op, Leasehold, Commercial, Dome or geodesic homes, Houseboats and etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Condominiums                                  | <ul style="list-style-type: none"> <li>Warrantable condo only.</li> <li>Full Condo questionnaire and HOA Budge (with minimum 10% reserves) are always required except for detached condo and 2-4 units project.</li> <li>No more than 1 loan per borrower in the same condo project.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| New or newly converted Condominiums           | Ineligible                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Appraisal                                     | <ul style="list-style-type: none"> <li>Age of report: 120 days from closing. 1004D is required between 120-365 days of appraisal completion.</li> <li>2nd appraisal needed for loan amount &gt; \$2,000,000 or Flip transaction (refer to flip transaction details). The LTV is calculated with the lower of two appraisals.</li> <li>CDA is required for all loans, except when 2 appraisals are obtained.</li> <li>Transfer appraisal is acceptable.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Housing History                               | <ul style="list-style-type: none"> <li>Rent-free is allowed for all occupancies.</li> <li>0x30x12 is required if current housing payment exist.</li> <li>Institutional Lender/Landlord <ul style="list-style-type: none"> <li>12 months mortgage payment history on the credit report, OR</li> <li>12 months cancelled checks, OR</li> <li>VOM/VOR</li> </ul> </li> <li>Non-institutional Lender/Landlord <ul style="list-style-type: none"> <li>Payments must be verified with either cancelled checks or bank statement, AND</li> <li>A copy of the note or lease to verify payment amount and due date</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Credit/Tradelines                             | <ul style="list-style-type: none"> <li>Inquiries dated within 90 days from the report date must be explained.</li> <li>One frozen bureau is acceptable. Each borrower must have minimum 2 scores.</li> <li>If the primary borrower has 3 credit scores, the minimum tradeline is not required. However, if the scores are derived from thin credit, such as authorized user accounts or new accounts with minimal usage, the borrower needs to meet below minimum tradeline requirements.</li> <li>Minimum tradeline requirements: <ul style="list-style-type: none"> <li>At least 3 tradelines reporting minimum 12-months history, with having activity in the past 12-months (open or closed), or</li> <li>At least 2 tradelines reporting minimum 24-months, with having activity in the past 12-months (open or closed).</li> <li>Rental verification can be included as a tradeline.</li> <li>Not acceptable as tradelines: Accounts with recent serious adverse history, self-reported tradelines, accounts in deferment, accounts discharged through bankruptcy, authorized user accounts, charge-offs and collection accounts, FC/DIL/SS accounts.</li> </ul> </li> <li>Credit refresh: Any new tradelines with a balance must be included in DTI.</li> </ul> |
| Judgments, Liens, Charge-offs and Collections | <ul style="list-style-type: none"> <li>All open judgments, garnishments and liens must be paid off at or prior to closing.</li> <li>Collections and charge-off accounts that do not impact title do not need to be paid if <ul style="list-style-type: none"> <li>Individual accounts less than \$250, and cumulative balance \$2,000 or less</li> <li>Medical collections up to \$10,000 cumulative</li> <li>Accounts that passed the state statue of the limitations</li> <li>A balance on a charge-off mortgage does not need to be addressed unless attached to our subject property</li> </ul> </li> <li>Collections and charge-off accounts not excluded by above must be paid or may remain open with the following <ul style="list-style-type: none"> <li>Payments for open charge-offs or collections are included in the DTI. If payment amount is unknown, 5% of the balance may be used as the payment</li> <li>Reserves are sufficient to cover the balance</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                        |
| Derogatory Credit Events                      | <ul style="list-style-type: none"> <li>BK/FC/SS/DIL/Short-Refinance/Modification must be seasoned at least 4 years.</li> <li>The seasoning is measured from the date of credit event to the new loan note date.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Forbearance or Deferral                       | <ul style="list-style-type: none"> <li>A recent forbearance, due to COVID-19, may be eligible based upon the following: <ul style="list-style-type: none"> <li>Pay loan current by making all missed payments from the borrower’s verified funds, and</li> <li>Make 3 monthly payments in lender modification plan after exiting forbearance. Third payment must be made prior to note date. Evidence the borrower has exited forbearance and entered the modification plan is required.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

# CHOICE Bank Statements



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|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debts                                  | <ul style="list-style-type: none"><li>• Installment debt may be excluded when there are 10 or fewer payments remaining, AND the payment amount does not exceed 5% of the borrower’s qualifying income</li><li>• Paying down the installment debt to 10 or less payments to qualify is allowed with a DTI &lt; 40%.</li><li>• Business debt in borrower’s name cannot be excluded.</li><li>• Student loans must be 0.5% of the balance if in forbearance.</li><li>• Open 30 days account are excluded from DTI with sufficient reserves in addition to the reserve requirements. If the borrower does not have sufficient reserves to cover the balance, 5% of the balance must be included in DTI.</li><li>• Mortgage paid by others can be excluded when the party making payment is on the note. Most recent 12 months timely payments must be documented.</li><li>• Non-mortgage paid by others can be excluded with most recent 12 months timely payments.</li></ul>                                                                                                                                                                                                                                                              |
| Assets                                 | <ul style="list-style-type: none"><li>• Most recent 2-month statement.</li><li>• Business assets can be used up to borrower’s ownership %.<ul style="list-style-type: none"><li>- Cash flow analysis to be performed to determine that the use of business funds will not have a negative impact on the business, if income from the business is being used to qualify</li><li>- Source of large deposit is generally not required, however, any recent large deposits outside the trend that approximate the required funds to close should be addressed to ensure they are not borrowed funds.</li></ul></li><li>• Source of large deposit is needed for purchase transaction only. Large deposit is determined as 100% of qualifying income.</li><li>• Stock/bond/mutual funds: 100% is used, however, proof of liquidation may be required if holdings are less than 120% of funds to close.</li><li>• Vested retirement account: 100% is used.</li><li>• Cash value of life insurance: 100% of the cash surrender value less any loans.</li><li>• Crypto currency: Not eligible.</li><li>• Gift is allowed for all occupancies, after minimum borrower’s contribution. Refer to ‘Minimum Borrower Contribution’ below.</li></ul> |
| Minimum Borrower Contribution          | <ul style="list-style-type: none"><li>• Primary residence and Second Home, LTV &lt;= 75%: None</li><li>• Primary residence and Second Home, LTV &gt; 75%: 5%</li><li>• Investment Property: 10%</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Reserves                               | <ul style="list-style-type: none"><li>• Varies depending on the Loan amount, calculated as months x subject PITI(A)<ul style="list-style-type: none"><li>- ≤ \$750,000: 3 months</li><li>- \$750,001 - \$1,500,000: 6 months</li><li>- \$1,500,001 - \$2,500,000: 9 months</li><li>- &gt; \$2,500,000: 12 months</li></ul></li><li>• For IO loans, reserves are based on IO payment amount.</li><li>• Retirement account sponsored by the employer (such as 401K) requires Terms of Withdrawal from employer which allows for hardship withdrawal. TOW is not required for IRA.</li><li>• Cash out proceeds may be used to satisfy.</li><li>• Gift cannot be used.</li><li>• Proceeds from 1031 exchange cannot be used.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Employment history                     | <ul style="list-style-type: none"><li>• Borrower must be self-employed for at least 2 years with 25% or greater ownership of the business. A minimum of 2 years business history must be evidenced by one the following:<ul style="list-style-type: none"><li>- CPA letter; or</li><li>- Business license; or</li><li>- 24 months bank statements reflecting activity</li></ul></li><li>• Existence of the business needs to be verified within 90 days from the note date with one the following:<ul style="list-style-type: none"><li>- 3<sup>rd</sup> party verification from licensed tax preparer, regulatory agency or applicable licensing bureau, or</li><li>- Internet screenshot displaying the phone listing and address of the business.</li><li>- A business bank statement dated within 90 days of the note date for income used in qualification</li></ul></li></ul>                                                                                                                                                                                                                                                                                                                                                   |
| Income documentation (Bank statements) | <ul style="list-style-type: none"><li>• A business narrative is required to be completed by the borrower, or loan officer.</li><li>• 12 or 24-months business bank statements (12 months has additional price adjustment) dated with the most recent statement dated within 30 days from the application.</li><li>• A co-mingled bank statement (personal account used for both business and personal use) is considered business bank statements. The borrower must be the sole owner of the business (or 100% combined with the spouse).</li><li>• Personal bank statements are allowed for C-Corp owners but rarely used. Contact Underwriting department for your scenario.</li><li>• Borrower’s ownership % must be verified by either CPA letter, Tax preparer letter, operating agreement or equivalent.</li><li>• Multiple bank accounts are allowed.</li></ul>                                                                                                                                                                                                                                                                                                                                                               |
| Bank statement analysis                | <ul style="list-style-type: none"><li>• Inconsistent large deposits (exceeding 50% of the average monthly sales) should be sourced or excluded from the calculation.</li><li>• 6 or more large deposits in the 12-month period can be considered as consistent and do not need to be sourced.</li><li>• Deposits from an alternative payment processing application (i.e. Venmo, Square) are eligible.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

# CHOICE Bank Statements



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|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bank statement analysis (Continued) | <ul style="list-style-type: none"><li>Income calculation:<ul style="list-style-type: none"><li>Total deposits from all bank statements, less any inconsistent deposits, multiplied by the expense factor, multiplied by the ownership %, divided by the number of bank statements reviewed.</li><li>Expense factor: 1) Standard 50% 2) Third party prepared/signed business expense statement including business name, expense percentage over the 12 or 24 months period, the statement the third party prepared borrower’s most recent tax returns.</li><li>Non-Sufficient Funds (NSF) or overdraft protection fees: If there are 1 or more occurrences in the most recent 3-month, up to 3 occurrences are allowed in the most recent 12-month period. If there are 0 occurrences in the most recent 3-month, up to 5 occurrences are allowed in the most recent 12-month period. Multiple NSFs/overdrafts happening on the same day are counted as 1 occurrence.</li></ul></li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Supplemental Income                 | Supplemental income such as SSI, W2 wages can be used.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Rental Income                       | <ul style="list-style-type: none"><li>Copy of the fully executed lease agreement for rental properties with 2 months of rental receipt proof. The deposits must be to a separate bank account that is used for qualifying income.</li><li>For subject investment rental property, rental income will be determined by Appraisal 1007 or lease agreement whichever is less.</li><li>Rent income from ADU is acceptable with the following requirements:<ul style="list-style-type: none"><li>Appraisal shows the ADU is legal</li><li>Appraisal to provide comparables with ADUs</li><li>Multi-family or multi-ADU acceptable provided total unit count is &lt;= 4</li><li>Refinance: Appraisal to address ADU rents on a 1007</li><li>Purchase: Follow above.</li><li>Short-term rental is not permitted.</li></ul></li><li>Departure property: Must meet one of the following 3 options<ul style="list-style-type: none"><li>Option 1: If the current residence becomes a rental property, obtain (1) Current lease agreement (2) Proof of receipt of security deposit and 1<sup>st</sup> month’s rent and (3) Evidence rent is near market, either a 1007 or underwriter/loan officer obtained confirmation of market rent. (4) Use 75% of the lease.</li><li>Option 2: If the current residence is unleased, current PITI can be offset with market rents from a 1007.</li><li>Option 3: If the current residence is pending sale but the transaction will not close prior to the subject transaction, the current PITI may be excluded with (1) The executed sales contract for the current residence and (2) Confirmation that all financing contingencies have been cleared.</li></ul></li><li>Short Term Rental<ul style="list-style-type: none"><li>80% of the payout to the owner is used.</li><li>12-months property rental report is required from AirBnB or VRBO (or similar).</li></ul></li></ul> |
| Purchase                            | <ul style="list-style-type: none"><li>Non-arm’s length restrictions<ul style="list-style-type: none"><li>Primary residence only.</li><li>Max LTV is 80%</li><li>Employer to employee sale is not allowed.</li><li>Property trades between buyer and seller are not allowed.</li><li>For-Sale-By-Owner (FSBO) must be arm’s length, unless family transaction.</li><li>NAL must not be a transaction to bailout a family member. A complete review of the prelim as well as the seller’s mortgage payment history is required.</li></ul></li><li>Flip transaction<ul style="list-style-type: none"><li>Transaction is ‘flip’ when borrower’s purchase price exceeds seller’s acquisition price by more than 10% if the seller acquired the property 90 or fewer days prior to purchase agreement. 20% applies if seller acquired the property 91-180 days prior to purchase agreement.</li><li>The second appraisal report is required.</li></ul></li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Buydown                             | <ul style="list-style-type: none"><li>2/1 Buydown is available on primary residence only.</li><li>The buydown funds can come from the seller, builder, realtors or from the lender credit (any combination of these sources is acceptable).</li><li>DTI is based on the actual note rate.</li><li>Buydown amount cannot exceed IPC limits.</li><li>Cannot be combined with Interest only option.</li><li>Appraisal must reflect that the PIC used to fund, or partially fund a buydown has been included in the analysis.</li><li>Purchase contract must reflect PIC to be granted to the buyer/borrower.</li><li>A buydown agreement is signed at closing by the borrower and all parties providing credit to the buydown funds.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Interested Party Contribution (IPC) | <ul style="list-style-type: none"><li>Primary residence and Second Home, LTV ≤ 75%: 9%</li><li>Primary residence and Second Home, LTV &gt; 75%: 6%</li><li>Investment Property: 6%</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| R/T Refinance                       | <ul style="list-style-type: none"><li>Cash back not to exceed the lesser of 2% of the new loan amount or \$5,000.</li><li>Payoff subordinate loan not used as purchase money is allowed for<ul style="list-style-type: none"><li>Closed-end loan, at least 12-motnhs seasoned.</li><li>HELOC, at least 12-months seasoned, total draws in the past 12-motnhs are &lt; \$5,000.</li><li>For investment property with PPP, any draw over the life of the loan may not have been for personal use, draw history is required as well as a borrower attestation.</li></ul></li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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| R/T Refinance<br>(Contiuned)                     | <ul style="list-style-type: none"> <li>• Buy out a co-owner pursuant to an agreement.</li> <li>• Any energy efficient based such as PACE or HERO can be paid off with the loan proceeds. These liens cannot be subordinated.</li> <li>• Property listed for sale at the time of the application is eligible provided listing is cancelled prior to closing.</li> <li>• Paying off delinquent property taxes (60 days or more past due) is considered cash out.</li> <li>• Current appraised value is used for LTV calculation.</li> <li>• Continuity of ownership is NOT required. <ul style="list-style-type: none"> <li>- Changing title at the close of the loan is permitted.</li> <li>- The current loan being paid off must be verified even if the borrower is not obligated on the note, and must meet the satisfactory housing history requirements.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Cash-out                                         | <ul style="list-style-type: none"> <li>• Max cash-in-hand <ul style="list-style-type: none"> <li>- LTV &gt; 70%: \$1,000,000</li> <li>- LTV 50.01% - 70.00%: \$1,500,000</li> <li>- LTV ≤ 50%: \$3,000,000</li> <li>- Above limit does not apply to the delayed financing.</li> </ul> </li> <li>• Title seasoning of 6 months (between the acquisition date to the new note date) is required with the following exception: <ul style="list-style-type: none"> <li>- Borrower acquired the subject property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership</li> <li>- Delayed financing</li> <li>- If the property is held in the entity and our borrower(s) represent at least 50% ownership, the time title held in the entity can be counted in the seasoning determination.</li> </ul> </li> <li>• Properties listed for sale in the past 6 months (measured from the listing cancellation date to the new loan note date) is not eligible.</li> <li>• Value used for LTV <ul style="list-style-type: none"> <li>- Owned 6-months or longer: Appraised Value.</li> <li>- Owned less than 6-months: Lower of the current appraised value or the purchase price.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                        |
| Delayed Financing                                | <ul style="list-style-type: none"> <li>• The original purchase transaction was an arms-length transaction.</li> <li>• The source of funds for the purchase transaction are documented.</li> <li>• LTV/CLTV is based upon the lower of the current appraised value or the purchase price plus documented improvements.</li> <li>• The preliminary title report must confirm no existing liens.</li> <li>• Loan amount cannot be more than the borrower’s initial investment subject to matrix.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Impound Accounts                                 | Impound is not required unless the loan falls under HPML.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Title Vesting and Ownership                      | <ul style="list-style-type: none"> <li>• Individuals, joint tenants, tenants in common, inter vivos revocable trust</li> <li>• The trustee must have the power to hold the title and mortgage the security property for the purpose of securing a loan to the individual(s) who are the borrower(s).</li> <li>• For a vesting under the entity, please refer to below ‘Vesting for Business Purpose Loans’.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Power of Attorney                                | <ul style="list-style-type: none"> <li>• A limited power of attorney is acceptable.</li> <li>• The borrower who executed POA must sign the initial 1003.</li> <li>• Not eligible for cash out.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Secondary Financing                              | <ul style="list-style-type: none"> <li>• Private-party secondary financing not allowed.</li> <li>• Must be subordinated and included in CLTV.</li> <li>• If the subordinate lien is a simultaneous closing, a copy of the loan approval and a copy of the executed note is required.</li> <li>• If the subordinate lien is already in place, all of the following is required. <ul style="list-style-type: none"> <li>- Copy of the executed note, recorded deed of trust, and signed subordination agreement.</li> <li>- The remaining term of the subordinate lien must be less than or equal to the term of the first mortgage.</li> <li>- The subordinate must have a minimum remaining term of no less than 5 years unless the financing fully amortized prior to that time.</li> <li>- At the closing of subject transaction, secondary financing may not have a balloon payment within the first 5 years.</li> <li>- The secondary financing must not have a negative amortization feature.</li> <li>- The terms of the note must provide for regular monthly payments of at least the interest due with no provisions for future advances.</li> <li>- Employer-provided secondary financing follow agency guidance.</li> <li>- Seller carries back allowed, must meet all relevant terms listed above.</li> </ul> </li> <li>• For HELOC, use the payment amount on the credit report or monthly statement. If payment cannot be verified, use 1% of the outstanding balance. For simultaneous close, use the amount to be disbursed at funding.</li> <li>• PACE/HERO must be retired and cannot be subordinated.</li> </ul> |
| Prepayment Penalty<br>(Investment property only) | <ul style="list-style-type: none"> <li>• Borrower must sign Business Purpose Affidavit at closing.</li> <li>• 3 years, 2 years, 1 year and no PPP options available.</li> <li>• The charge is equal to 6-months of interest on the amount of the prepayment that exceeds 20% of the original loan amount in a given 12-month time period.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Vesting For Business Purpose Loans               | <ul style="list-style-type: none"> <li>• Investment property only.</li> <li>• Entity type must be LLC or Corporation.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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| <b>Vesting For Business Purpose Loans (Continued)</b> | <ul style="list-style-type: none"><li>• Borrower(s) must represent a minimum of 50% of the ownership.</li><li>• Max 4 borrowers on the loan. Borrower(s) must sign personal guarantee.</li><li>• U.S. domiciled entities only.</li><li>• Purpose of entity must be for real estate acquisition.</li><li>• Documentation for LLC<ul style="list-style-type: none"><li>- Verity entity membership with formation docs or other entity documentation.</li><li>- Provide federal licensing entity ID number (EIN).</li><li>- Show the entity is good standing.</li></ul></li><li>• Documentation for Corporation<ul style="list-style-type: none"><li>- Filed certificate/Article of Incorporation and all amendments (or equivalent).</li><li>- By-laws and all amendments.</li><li>- Evidence of good standing.</li><li>- EIN/Tax Identification Number.</li><li>- Borrowing resolution/Corporate resolution granting authority of signer to enter loan obligation.</li><li>- Receipt of current year franchise tax payment, clear search, or evidence the state does not require a franchise tax payment.</li></ul></li></ul> |
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