

SERIES 3 – NON-QM DSCR ELIGIBILITY GUIDELINES

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1 OVERVIEW and UNDERWRITING CRITERIA

This Product Eligibility Policy outlines the parameter requirements for non-owner-occupied loans on residential properties to be sold to Lendz Financial. This document is an integral part of the loan underwriting review process and should be reviewed in conjunction with all potential fundings. Originators and sellers should become familiar with the contents of this document in its entirety.

The Product Eligibility Policy may not include all provisions or documents establishing the relationship between an originator or seller and, and is not intended to replace, modify, or otherwise alter the terms of a respective counterparty's Mortgage Loan Purchase Agreement or any other applicable agreement.

Seeks to purchase investment non-owner-occupied loans that will be designated for business purposes only. All borrowers will be required to sign a Business Purpose & Occupancy Statement prior to funding declaring that the property is, or will be, for commercial business or investment purposes only.

Qualification is determined solely based on debt service coverage ratio (DSCR) of the subject property. The loan must be eligible for treatment as a business purpose loan. As such, originators are not required to follow ATR, HPML, QM and TRID requirements.

All loans funded by LENDZ FINANCIAL will be examined and evaluated to determine whether the proposed loans generally conform to these guideline parameters. The qualifying specifications and procedures are meant to serve as a principal foundation to qualify, and each borrower will be reviewed in its entirety on an individual basis.

DSCR loans that do not conform to the provisions of this Program Guide will be comprehensively reviewed by exception. All applicable mitigating and compensating factors to a policy exception must be fully documented and will be reviewed and considered prior to granting or denying any request for purchase approval.

All loans must be manually underwritten.

Schedule of real estate owned must be completed on the loan application, **including properties held in LLCs.**

FNMA security instruments, notes, riders, addenda and special purpose documents can be utilized for loan documentation. All Loans must include a third-party fraud detection report
Loans eligible for sale to FNMA or FHLMC are not eligible for purchase. Prepayment Charges allowable to the extent permitted under law.

All references to borrowers will also include Guarantors.

**Items not covered herein should follow guidance from Fannie Mae.
Federal, State, and Local High-Cost Loans are not permitted.**

2 PRODUCT ELIGIBILITY

2.1 AVAILABLE PRODUCTS

- 30 Year Fixed
- 30 Year Fixed IO
- 40 Year Fixed
- 40 Year Fixed I/O

2.2 GEOGRAPHIC RESTRICTIONS

Georgia loans must be closed in an entity to be eligible under DSCR Premier

2.3 ADJUSTABLE RATE CRITERIA

ARM Products are not currently offered.

2.4 ASSUMABLE

ARM products are not currently offered.

2.5 DSCR MATRIX

DSCR 1.0+			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	80% ¹	\$1,000,000	640
		\$1,500,000	660
		\$2,000,000	740
	75%	\$1,000,000	620
		\$1,500,000	640
		\$2,000,000	700
	70%	\$1,500,000	620
		\$2,000,000	640
		\$2,500,000	700
	65%	\$2,000,000	620
\$2,500,000		660	
CASH OUT	75%	\$1,500,000	700
	70%	\$1,500,000	660
	65%	\$1,000,000	620
		\$2,000,000	660
	60%	\$2,500,000	700

- Minimum loan amount \$100,000
- Loan amounts \$100k-\$150k – require min DSCR 1.25

¹3-4 Unit Max 75%

²Non-Warrantable Condo- Max 75% LTV/CLTV

Short Term Rental **Refinance**: Min DSCR 1.00%, Max LTV 70%, Min Score 700, and 1-year experience operating a short-term rental.

Short Term Rental **Purchases**: Min DSCR 1.00% (using AirDNA 'Rentalizer' tool), Max LTV 75%, Min Score 700, and 1-year experience operating a short-term rental. Max LTV 70% without 1-year experience operating a short-term rental.

DSCR Premier - DSCR 1.0+			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	70%	\$1,500,000	720
CASH OUT			

- Minimum loan amount \$100,000
- Loan amounts < \$150,000 – require min 1.25 DSCR
- Non-Perm Resident Aliens and Foreign Nationals not permitted.
- 40-Yr Fixed and 40-Yr ARM fully amortizing products not permitted
- All additional overlays of Standard DSCR otherwise apply
- Short-term Rental qualifying: not allowed
- Market Rent Survey based on long-term tenancy may be used with Min DSCR of 1.00 (or 1.25 < \$150,000)
- Geographic Restriction: Georgia loans must be closed in an entity to be eligible for DSCR Premier

DSCR .75-.99 ¹			
TRANSACTION TYPE	LTV/CLTV	MAX LOAN AMOUNT	FICO
PURCHASE RATE AND TERM	70%	\$1,500,000	680
	65%	\$2,000,000	700

¹Min \$175k loan amount; 40 yr. IO not permitted.

2.6 MAX LOAN TO VALUE

3-4 Unit	75%
Cash Out	75%- See Cash Out Refinance Section
DSCR - Refinance on Short Term/Variable Rental	70%
DSCR - Purchase on Short Term/Variable Rental	75% for 1-year experience operating a short-term rental 70% without 1-year experience operating a short-term rental
DSCR 1.0+	80% (see matrix and guidelines for additional details)
DSCR .75-0.99	70% (Min 680 FICO)
Recently Inherited Properties	60%
Declining Markets (as defined by appraiser)	5% reduction from max borrower qualifies for Floor: 75% Purchase; 70% Refinance
Cash Out and Properties listed for sale within the last 12 months	70%
Non-permanent Resident Alien	75%

2.7 INTEREST ONLY

Qualifying is based on interest only payment, property taxes, insurance, HOA.

Interest Only Period 10-year

- 40 Year Interest Only = 10 year IO then 30 year amortization
- 30 Year Interest Only = 10 year IO then 20 year amortization

2.8 PREPAYMENT CHARGES

Non-PPP states or loans without a PPP are not eligible for DSCR Premier

Three Prepayment Penalty structure options are available.

- 1) Standard Prepayment Penalty term: 1,2,3,4, or 5-year term. Penalty term of six months advance interest on the amount prepaid that exceeds 20% of the original balance of the note.
- 2) Flat Structure: 3-,4-,or 5-year prepayment term at a 5% flat rate If within the loan term's prepayment period from the date the Security Instrument is executed, a full or one or more partial prepayments, and the total of all prepayments in any 12-month period exceeds 20% of the original Principal amount of the loan, the prepayment charge will be an amount equal to the flat rate based on the principal amount so prepaid.
- 3) Tiered Structure: 1,2,3,4, or 5-year term unless an alternative term is required by state or federal law. If within the loan term's prepayment period from the date the Security Instrument is executed, a full or one or more partial prepayments, and the total of all prepayments in any 12-

month period exceeds 20% of the original Principal amount of the loan, the prepayment charge will be an amount equal to the below example:

- The 5-year tiered prepayment penalty has a declining payment structure as follows:
 - If paid during the 1st year from the date hereof, 5% of the portion of such prepayment equal to the principal amount so prepaid
 - If paid during the 2nd year from the date hereof, 4% of the portion of such prepayment equal to the principal amount so prepaid
 - If paid during the 3rd year from the date hereof, 3% of the portion of such prepayment equal to the principal amount so prepaid
 - If paid during the 4th year from the date hereof, 2% of the portion of such prepayment equal to the principal amount so prepaid
 - If paid during the 5th year from the date hereof, 1% of the portion of such prepayment equal to the principal amount so prepaid
- After 5 years no prepayment penalty will be applied to the loan

Disclaimer: This guide does not constitute legal advice and sellers are responsible for ensuring that they are properly licensed and originating to proper regulatory guidelines.

2.9 LOAN AMOUNTS

- DSCR 1.0+ - Minimum \$100,000
- DSCR .75-.99 – Minimum \$175,000
- Maximum eligible loan amount is \$2,500,000

2.10 AGE OF DOCUMENTS

- All credit documents including credit report and asset statements must be dated no more than 120 days prior to the note date.
- Updated documentation may be required at underwriter discretion.
- A 10 calendar day variance over the stated age of documents is allowed to accommodate closings.
- Appraisal recert of value required after 120 days and new appraisal required at 180 days.

3 BORROWER/BORROWING ENTITY/GUARANTOR REQUIREMENTS

3.1 ELIGIBLE BORROWERS

- U.S. Citizens

- First Time Investor
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Inter-Vivos Revocable Trust
- Limited partnerships, general partnerships, corporations
 - Guarantor required.
 - Non-profit 501 c3 – ineligible

3.1.1 FIRST TIME INVESTOR

- A First Time Investor is defined as a borrower who has not owned at least one commercial or residential investment property in the United States for at least 12 months in the last 3 years.
- If one borrower on the transaction is not a first-time investor, first time investor guideline rules do not apply
- DSCR <1.0 not permitted
- **Minimum 680 FICO**
- Motivation letter required if property is purchased out of state from borrower's/guarantor's residence.
- Borrower's living rent free or incomplete housing history, see housing history section.

3.1.2 FIRST TIME HOMEBUYER

- Defined as not owning a property/rental in the United States within last 7 years – Borrowers that have owned a property/rental in the last 7 years are not considered first time homebuyers.
- Not eligible for DSCR/DSCR Premier
- If one borrower on the transaction is not a FHTB, no further restrictions apply
- Borrower's living rent free or with incomplete housing history.

3.1.3 ELIGIBLE BORROWING ENTITY TYPES

- Eligible: LLC, Sole Proprietorship, LP, LLP, S and C Corp – must be U.S. based
 - Personal guarantor required - Personal Guarantor must also sign closing documents and disclosures
- Final loan docs may not be signed with a POA
- Non-profit 501 c3 – ineligible

ENTITY	REQUIREMENTS
Corporation or LLC	<ul style="list-style-type: none"> • The borrower is at least 25% or majority shareholder and can support the debt based on personal income, obligations, and credit. • Business entity limited to LENDZ FINANCIAL’s 4 maximum of “owners” = members, partners, or shareholders of the entity Members • Members of the business entity that are NOT borrowers on the transaction do not need to sign in the capacity of an individual borrower. • A POA may not be used when closing in an LLC or Corporation. A notarized certificate of authorization may be used. • Entity must be established and registered in United States.
General/Limited Partnership	<ul style="list-style-type: none"> • Additional owners may also be required to acknowledge or execute loan documents depending on language within the Partnership Agreement • Validation of the entity’s status through review of the following documentation: <ul style="list-style-type: none"> • Annual Registration with the Secretary of State • Certificate of Good Standing from the Secretary of State within 90 days of closing that reflects no issues • Verification of authorized agent. • Entity must be established and registered in United States.

3.1.4 PERMANENT RESIDENT ALIEN:

- Permanent Resident Aliens are individuals who permanently reside in the United States
- A legible front and back copy of the borrower(s) valid Green Card

3.1.5 NON-PERMANENT RESIDENT ALIENS:

Program Restrictions:

- 1-2 Unit Properties Only
- Purchase and Rate/Term Refinance Only
- **Maximum 75% LTV**

If one borrower on the transaction is a US citizen, non-permanent resident program restrictions do not apply. However, visa requirements must be met.

A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis. Non-Permanent Resident Alien borrowers are eligible for **DSCR 1+ only subject to restrictions below.**

- Copies of the borrower’s valid passport and unexpired VISA permitting lawful entry into the United States is required.
 - If VISA renewal is in process or delayed, provide application for extension or renewal (adjustment of status)
- Acceptable alternative documentation to verify classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 from (Arrival/Departure Record). Borrower unable to provide evidence of lawful residency status in the U.S. are not eligible for financing. The borrower(s) must have a minimum of 2 years residency.
- All parties involved on the transaction must be screened through exclusionary lists and must be cleared through OFAC’s SND list.
- Borrowers from OFAC sanctioned countries are ineligible
- Borrowers with diplomatic immunity are ineligible
- DACA recipients are ineligible
- **EAD Cards without valid VISAs are ineligible**
- Eligible VISA Types:

- E1, E2, E3	- NATO 1-6	- TN-1 Canadian
- G1, G2, G3, G4, G5	- O1	- NAFTA
- H1 H1-B, H1-C	- R1	- TN-2 Mexican
- L-1B, L-2		- NAFTA

3.1.6 INELIGIBLE BORROWERS

- Irrevocable, Blind, and Land Trusts
- First Time Home Buyers
- Foreign Nationals
- Asylum applicants
- Any parties to a transaction listed on HUD’s Limited Denial of Participation (LDP) list, or the federal General Services Administrative (GSE) Excluded Party lists
- Borrowers with diplomatic immunity
- Borrowers without a valid Social Security Number
- Borrowers party to a lawsuit
- DACA recipients
- **EAD Card without valid VISA**
- Vesting in retirement vehicle

3 ELIGIBILITY

Borrower is financing the property solely for commercial purposes and is required to sign a Certification of Business Purpose/Non-Owner Occupancy

- The certification is required to **be notarized**.

In addition to the (i) borrower certification of business purpose/non occupancy, and (ii) requirement to obtain rent loss insurance, underwriting staff must take additional steps as deemed necessary to further evaluate the reasonableness of the borrower's certification. Any red flags must be researched and resolved.

- **No income or Employment (or retirement) information is required to be listed on the 1003.**
- See **Appendix A** for requirements on LENDZ FINANCIAL's **mandatory** pre-closing ownership and occupancy analysis

4.1 ELIGIBLE TRANSACTIONS 4.1.1 PURCHASE

- The lesser of the purchase price or appraised value is used to calculate LTV/CLTV.
- A copy of the fully executed purchase contract and all attachments and addenda should be included
- Inspection reports are not required unless the appraisal suggests further investigation (e.g. termite reports)
- Non-Arm's Length transactions are not permitted.
- Unless the borrower is purchasing a multi-unit property, the subject property value should generally not exceed 75% of the property value of the borrower's current residence (own or rent) In the event that it does, the Underwriter should review further for adherence to Section 3 "Eligibility" above.
- Sale and leaseback agreements will not be permitted to exceed 60 days from closing date.
- Flip Transactions.
 - Assignment of contract with 3rd party fees (no wholesales/finders) are not permitted.

4.1.2 RATE/TERM REFINANCE

- No seasoning required
- Limited cash to the **borrower must not exceed the lesser of \$2000 or 2% the loan.**
- Borrowers financing the payment of real estate taxes that are more than 60 days delinquent is considered cash out, per FNMA
- **Borrowers refinancing a loan that includes accrued interest >59 days are not eligible for Rate/Term**
- **Subject property recently vacated by borrower requires a lease and proof of three months**

rent paid at new primary residence in order to consider the property under DSCR guidelines. Subject property refinance is ineligible if borrower is now rent free or residing in a different owned residence.

- If borrower has less than 6 months ownership seasoning prior to application date, LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior settlement statement will be required for proof of purchase price. Proof of improvements is required.
- There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
- If the borrower acquired the property within the last 12 months as a gift, award, inheritance or other non-purchase transaction, the LTV/CLTV will be based on the current appraised value. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership

Ownership Seasoning –	0-6 months	6.1-12 months
Rate/Terma	Lesser of (PP + Improvements*) -or- Appraisal	Appraisal

*Purchase appraisal or original listing photos required along with schedule of improvements

4.1.3 CASH-OUT REFINANCE

- A Cash-Out Refinance transaction may pay off an existing mortgage(s) with a minimum of 6 months seasoning or create a new lien if the property is owned free and clear.

Ownership Seasoning –	0-6 months	6.1-12 months
Cash Out	Not permitted	Appraisal

- Seasoning = borrower’s purchase closing date to application date
- There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership), max LTV 60%.
- If the borrower acquired the property within the last 12 months as a gift, award, inheritance or other non-purchase transaction, the LTV/CLTV will be based on the current appraised value, max LTV 60%. The lender must obtain appropriate documentation to verify the acquisition and transfer of ownership.

- The borrower can receive funds at closing as long as they do not exceed the program requirements.
- Subject property recently vacated by borrower requires a lease and proof of three months rent paid at new primary residence in order to consider the property under DSCR guidelines. Subject property refinance is ineligible if borrower is now rent free

Max Cash Out	
LTV/CLTV	Maximum Cash Out
>65.01%	\$750k
<65%	\$1.5MM

4.1.4 CONSTRUCTION TAKE OUT/CONSTRUCTION TO PERM

- The permanent financing of a construction loan is eligible with the following conditions:
 - o If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property.
 - o If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs
- A builder refinancing out of a construction loan, is limited to investment only, with a minimum 2 year pre-payment penalty.
- Payoffs with accrued and unpaid interest >59 days will be considered cash out.

4.2 DELAYED FINANCING

- Delayed financing can be qualified and priced as a rate/term refinance
- Delayed financing (on properties purchased by the borrower with cash and owned < 12 months) are permitted if the original transaction was arm’s length.
 - o provide settlement statement from purchase confirms no financing used to acquire
 - o purchase funds are documented
 - If gift funds were used, the borrower may only finance the amount put into the transaction, excluding gift.
- The LTV/CLTV will be based on the lesser of the original purchase price or current appraised value. The prior settlement statement will be required for proof of purchase price.
- An AIR compliant purchase may be used for this refinance if within the age of document guidelines

4.3 CONTINUITY OF OBLIGATION

An acceptable continuity of obligation exists when any of the following are present:

- At least one borrower obligated on the new loan must be a borrower obligated on the existing loan being refinanced;
- At least one borrower must have been on title for a minimum of six months, and has made the most recent six months payments;
- At least one borrower must be on title and has made the most recent 12 months documented payments.
- At least one borrower has recently inherited or was legally awarded the property through a divorce or separation;
- When title is held in the name of a natural person or an entity, as long as the borrower was a member of the entity prior to any transfer. 25% ownership of an entity is considered to meet continuity of obligation.
- Continuity of Obligation is met when a borrower is at least 25% owner of an entity and is refinancing from a natural person to an entity or visa versa.

4.4 SUBORDINATE FINANCING

- **New subordinate financing - ineligible.**
 - **ARM subordinate financing is not allowed**
- Existing subordination may be eligible on refinances
- All subordinate loans must be considered when calculating the Borrower’s DSCR
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment
- If a HELOC is present the CLTV/HCLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property’s sales price or appraised value.

4.5 PROPERTIES LISTED FOR SALE

- Properties that have been listed for sale **by the borrower**, the seasoning is from listing removal date to application date.
- LTV calculated based on the lower of the last listing price or appraised value.
- Unsold builder inventory is ineligible.
- **Properties listed for sale at application date are ineligible**

Listed for Sale	PPP Term/ LTV	0-6 months	6.1-12 months
Rate/Term no Pre-payment Penalty (PPP)	N/A	Not Permitted	Second Level Review
Rate/Term w/ PPP	Min 2 yr. penalty	Permitted	Permitted
Cash Out no PPP	Max LTV 70%	Not Permitted	Second Level Review
Cash Out w/ PPP	Min 2 yrs. and max LTV 70%	Permitted	Permitted

4.6 FLIP TRANSACTIONS

- On a purchase transaction when the home is being resold within 180 days of seller's purchase date), the transaction is considered a flip (based on the day the borrower signs an initial purchase agreement)
- Flips with resale prices in excess of the following will require a second level review, unless seller acquired the property in a private sale not exposed to any multiple listing service:
 - More than 10% increase within 90 days
 - More than 20% increase from 91 to 180 days
- Current purchase transaction must be listed with a realtor on Multiple Listing Services
- Bank owned REO and corporate relocations are eligible and not considered a flip transaction.

4.7 1031 EXCHANGE

- Funds held by a 1031 administrator/agent are permitted for down payment and closing costs.
- Allowed on investment purchases only.
- Reverse 1031 exchanges not allowed.
- Must be in compliance with Internal Revenue Code Section 1031
- Excess proceeds cannot be used to satisfy reserve requirements unless liquidated
- Documented by accommodator instructions, fully executed exchange agreement at closing, and settlement statement.
- Both the sold property and subject property must be similar and qualify as "like-kind"
- NOTE: 2-4-unit properties where one of the units is occupied by the customer are not considered investment properties and therefore are not eligible.

4.8 INELIGIBLE TRANSACTIONS

<ul style="list-style-type: none"> • Construction Loans • Non-Arm's length • Land Contracts • Temporary Buydowns • Builder Bailout & Model leasebacks • Conversion Loans 	<ul style="list-style-type: none"> • Lease with option to purchase • Community down payment assistance / equity sharing • Borrower/builder refinance of construction loans without subject loan prepayment penalty • Reverse 1031 exchanges
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4.9 COMPENSATING FACTORS

Including but not limited to the following:

- | | |
|---|--|
| <ul style="list-style-type: none"> • FICO score above minimum by 20 points or higher • DSCR above minimum by .15 or higher • PITIA reserves above minimum by 6 months or higher • 0 X 30 X 24-housing history | <ul style="list-style-type: none"> • Experienced Investor (Greater than 3 current rentals) • LTV below max by 5% or higher • Greater than 5 years ownership seasoning on subject property (refinances only) |
|---|--|

5 CREDIT ELIGIBILITY

5.1 CREDIT EVENT

- Credit Event = Foreclosure, Short Sale, Deed in Lieu, Default Modification, Notice of Default or 120+ Delinquent
 - 3 years seasoning is required
- Events include all occupancy types – Primary, 2nd Home & Investment Properties
- Seasoning is from the date of discharge or property resolution (completion date), as of the note date
- Modification commences at inception
- Foreclosures included in bankruptcy permitted based on BK discharge date if the borrower has vacated the property
- Timeshares including delinquencies are treated as installment loans and not a credit event.
- LOE required for any recent credit event less than 3 years.
- Event is considered if property is owned by borrower, even if not on note
- Multiple events not permitted

5.2 BANKRUPTCY

- 3 years seasoning is required
- Bankruptcy includes Chapter 7, 11 and Chapter 13, based on discharge or dismissal date.
- Cash out cannot be used to settle, BK must have been settled prior to application
- Multiple BK filings, regardless of when they occurred, are not eligible (an amended filing is not considered multiple filings)

5.3 HOUSING HISTORY

- 1x30x12 (no rolling)

- Only one borrower needs to meet housing history requirement
- All borrowers must be current on mortgage, property taxes and HOA dues or rent at loan application.
 - Property tax liens and delinquent HOA dues at application will require a second level review
- Housing history required for Primary and subject property refi. Other REO, not reported on credit, no mortgage rating required
- Institutional VOM for refinances of construction loans require payment ledger.
- Document housing history via 12 months proof of payment via cancelled checks, bank debits or institutional VOR/VOM. Carbon copies or handwritten rent receipts are not acceptable as bank records.
- Rent free or incomplete housing history
 - No open and active mortgages reporting on credit or free and clear properties will require a second level review.
 - Open and active mortgage(s) reporting on initial credit for minimum 12 months is permitted to satisfy housing history.
 - A minimum 12 months previous mortgage history reporting on initial credit within the last 12 months is permitted to satisfy housing history.
 - No private VOMs or credit supplements permitted.
 - Rent free from spouse or title only ownership requires Institutional VOM or bank records are required to satisfy primary housing history.
- A borrower who sold a home and is temporarily staying rent free until the purchase of a new home is not considered an incomplete housing history. Must document most recent 12-month history prior to the sale of departing residence.

5.4 FORBEARANCE OR DEFERRAL

- Borrowers with a Covid-19 related forbearance or deferral on primary or subject property, must have completed the program and made at least two months payments for a Purchase or Rate/Term Refinance and 6 months payments for a Cash-out Refinance. Documentation from the servicer, credit bureau or other documentation of the completion is required.
- The deferred balance may be paid off with the subject property refinance. Primary home in forbearance is ineligible even if subject property is non-owner occupied. Other Real Estate owned limited to 1 property in forbearance is eligible.

5.5 BALLOON PAYMENT PAST DUE

- A past due balloon payment is treated as a delinquency (1 x 30) and not a housing event, but only within 180 days of maturity.

- Transaction histories showing payments made and applied on time are considered to have been extended and not considered delinquent.

5.6 CREDIT REPORT DETAIL

- A tri-merged in file credit report including scores from Experian, Transunion and Equifax is required.
- Credit Report is good for **120 days from note date.**
- Disputed accounts may require an LOE. An updated credit report not required.
- All derogatory revolving and installment accounts > 60 days within 2 years of closing require a full explanation.
- Delinquent credit belonging to ex- spouse - can be excluded if late payments occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse.

5.6.1 CREDIT REPAIR/RESCORE

- No private credit repair companies allowed.
- Rapid rescore of credit permitted for confirmation of pay down and/or payoff of debt and correction of reporting errors
- Updated credit score permitted for qualifying.

5.6.2 SECURITY FREEZE

A credit freeze may remain if it is reported under one bureau only and a minimum of two scores are present. More than one frozen bureau requires the freeze to be lifted by the borrower and a new report provided.

5.6.3 CREDIT COUNSELING

Borrowers currently enrolled in credit counseling or debt management plans are not permitted

5.6.4 TRADELINES

- Each borrower must have 2 tradelines or joint borrowers must have a total of 3 tradelines combined, rated at least 12 months, with activity in the last 24 months.
- Tradeline may be opened or closed.
- Eligible tradelines cannot have any derogatory history in previous 24 months.
- Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks, debits)
- No authorized user accounts may be used to satisfy minimum tradelines.
- Non-traditional credit is not allowed as an eligible tradeline.

5.6.5 CREDIT SCORES

- Highest Mid FICO score is used to qualify

- Use highest mid FICO of any guarantor if more than 1 guarantor
- Each borrower's 'Credit Score' is the middle of three or the lesser of two for any borrower.
- No borrower can have a middle FICO score less than 620
- For refinances, the use of highest score is only eligible if that borrower meets continuity

5.6.6 JUDGEMENTS, LIENS, CHARGE-OFFS, COLLECTIONS

- All Judgments affecting title or liens affecting title must be paid
- Non-title charge-offs and collections open <2 years and greater than \$10,000 (individually or aggregate) must be paid
- Medical collections less than \$15,000 are not required to be paid
- IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property

6 DEBT SERVICE COVERAGE RATIO (DSCR)

- DSCR is calculated by taking the lower of the subject property's market rent disclosed on the appraisal or the lease rental agreement divided by the monthly PITIA housing payment. **See Rent Qualification.**
- PITIA - principal, interest, taxes, insurance, and homeowner's association dues
- Interest Only loans are qualified on the ITIA payment
- Minimum DSCR of .75 is required DSCR program
 - DSCR Premier requires a minimum DSCR of 1.0
- See short term / variable rental income section below (section 8.1)

7 RENT QUALIFICATION

- Market rent is determined by the appraisal comparable rent schedule.
- Rent qualification is lesser of current lease agreement or 100% of appraisal market rent schedule for annual tenants, except:
 - Refinance Transactions: If current lease exceeds market rent, borrower may use that amount up to 115% of market rent with most recent 6 months of evidence of rent receipts.
 - Purchase Transactions: Vacant properties use 100% of market rent
 - 2-4 Units – Rent qualification is the lesser of each individual unit's current lease agreement or individual unit's market rent. (Borrower may use up to 115% as stated above.)
- See short term / variable rental income section below (section 8.1)

8 LEASE REQUIREMENTS

- A Lease or the lower of 1007 and 1 month receipt of rents is required except for the scenarios below. In these instances, market rent should be used to qualify
 - Purchase transactions
 - If using third-party short-term Statements.
 - Refinances if the property has recently completed rehab or is listed for rent
 - Proof of recently completed rehab or listing required
- Refinance transactions will require a lease agreement except if using as short-term rental, but qualifies as a long-term rental.
- Properties leased to family members are not eligible.
- Expired Leases will be considered to have renewed automatically with 1 month evidence of rent receipt at lease amount
- Leases that permit subletting as a short-term rental (STR) not permitted.

8.1 SHORT TERM/VARIABLE RENTAL

- Examples: Airbnb – VRBO- HomeAway
- DSCR Only

PURCHASE

- AirDNA will be used for all STR purchases
- Min DSCR 1.0 using AirDNA Revenue Calculator
- Max 75% with 1 year experience operating a short-term rental
- Max 70% without 1 year experience operating a short-term rental
- Min Score 700
 - AirDNA Revenue Calculator and Overview reports must meet the following requirements
 - Revenue Calculator:
 - Only allowed for purchase transaction
 - Forecast Period must cover 12 months from the Note date
 - The occupancy rate must be >50%
 - Must have four comparison properties
 - Must be within two miles of subject property or with the same zip code
 - Must be generally similar in size, room count, amenities, availability, and occupancy

- Income calculation
 - Annual revenue 80%/12
- Market Rent Survey with short-term tenancy will be used when AirDNA does not meet the required searched parameters and must DSCR at 1.00
- 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income
- Market Rent Survey based on long-term tenancy may be used with min DSCR of 1.00 (or 1.25 for loans <\$150,000).
- Property Tax Escrow required.
- 2-4 unit properties and condos are ineligible (SFR detached only)
- Short-term rental statements provided by seller are allowed with a minimum 1 year experience managing a short term rental and is subject to second level review by Lendz Credit Committee.
 - Minimum DSCR 1.0 – calculated based on average deposits over 12-month history, including zero deposit months, x80%
 - 12 months payment history required from Property Management Provider
 - Short-term rental statements must clearly identify the subject property by address, property ID# and property description alone is not sufficient.

REFINANCE:

- Min DSCR 1.0 – calculated based on average deposits over 12-month history, including zero deposit months x 80%
- AirDNA Revenue Calculator tool is not allowed for Refinances.
- Max LTV 70%
- Min Score 700
- 12 months payment history required from Property Management Provider
- 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income
- Short term rental statements must clearly identify the subject property by address. Property ID # and property description alone is not sufficient.
- Property Tax Escrows required
- Subject property with less than 12-month short term rental income history, Market Rent Survey based on long term tenancy may be used with Min DSCR of 1.0 (or 1.25 for loans < \$150,000).
- 2-4 unit properties and condos are ineligible (SFR detached only)

9 ASSET DOCUMENTATION

- Asset Statements
 - 1 months or 1 quarterly investment statement.
 - Statements not required for Cash Out transactions which satisfy reserves.
- FNMA approved third party direct pull services are eligible.
- Exchange traded Stocks/Bonds/Mutual Funds – 100% may be used for reserves
- Vested Retirement Accounts – 100% may be considered for reserves
- If needed to close, verification that funds have been liquidated (if applicable) is required
 - If borrower has >20% of funds needed to close remaining in the account, documentation of liquidation is not required.
- Asset statements for closing and reserves do not require access letters for non-borrowing parties
- Secured borrower funds are allowed for down payment and closing cost (ex: HELOC or OREO)
- Non-borrowing title holder, spouse or member of LLC/entity contributing assets are not considered a gift
- Earnest money deposit – Follow FNMA requirements. If needed to meet minimum borrowers' contribution, provide documentation.
- A borrower, who is also the realtor on the subject property, may use commission earned (commission must be market rate) towards the funds to close requirement.
- Builder profits are not allowed
- Large deposits > 10% of purchase price require sourcing.
- SBA loans or paycheck protection funds may not be used as income, assets, down payment, closing costs, or reserves.

9.1 BUSINESS FUNDS

- Business accounts may only be used to meet down payment and/or reserve requirements if:
 - 100% ownership of the business, OR
 - Shared ownership requires an access letter from partners allowing the use of the business funds by the borrower

9.2 GIFT FUNDS

- Purchase transaction only
- Minimum Borrower Contribution
 - Borrower must have 10% of their own funds documented but not required to use
 - If the minimum borrower contribution % is not used towards the down payment, those funds can be used towards reserves.
- Gift funds are not permitted for reserves.

- Only gifts from family members are allowed.
- Non-borrowing titleholder or member of the LLC/entity who is contributing funds is not considered a gift, no gift letter required. 60 days seasoning and sourcing of funds required.
- Gift of equity not permitted

9.3 LIFE INSURANCE CASH VALUE

- Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves.

9.4 FOREIGN ASSETS

- Funds required for down payment and closing costs must be held in a US bank and have been seasoned a total of 60 days total between abroad and in the US.
- Funds in foreign accounts for reserves do not need to be moved to US accounts.

9.5 BITCOIN (CRYPTO CURRENCIES)

- Allowed for down payment, closing costs and reserves with evidence of ownership and liquidation to US dollars.

9.6 SALE OF PERSONAL ASSETS

- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower’s receipt of sale proceeds.

10 RESERVES

≤ \$1,500,000	> \$1,500,000	Cash Out
No reserves ≤70% 6 months >70%	9 months	6 months
DSCR .75-.99 3 months	9 months	N/A
DSCR Premier No reserves	N/A	6 months

- Reserves are calculated off actual P&I payment plus Taxes, Insurance, and HOA
 - Interest only - payment plus Taxes, Insurance and HOA
- Cash Out may be used to meet reserve requirements
- Gift funds are not permitted for reserves.
- Restricted stock is ineligible for to be used for reserves

- A variance may be allowed but never less than 3 months less than program requirements with underwriter justification and compensating factors
- If multiple loans to one borrower, reserves are based on the greater PITIA for all properties.

11 INTERESTED PARTY CONTRIBUTIONS (IPCs) / SALES CONCESSIONS

- IPCs are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone who has a financial interest in the sale or transfer of the subject property.
- Maximum Interested Party Contributions 3% of purchase price
- Excess IPCs must be netted from the purchase price for LTV qualification
- All IPCs must be properly disclosed in the sales contract, appraisal, or addendum and HUD-1/Closing Disclosure
- IPCs may only be used for closing costs and prepaid expenses, no cash credit.

12 GUARANTY

LENDZ FINANCIAL requires all of its entity borrowers to submit their loan application with a guarantor subject to the following requirements:

- The guarantor must be an individual person and not an entity
- A guarantor is required to be a significant owner (25% or greater) of the entity and is subject to the same FICO and background checks as individual borrowers
- A separate guaranty form is not required if the borrower(s) is signing the note on behalf of both the LLC as the borrower and also as an individual guarantor. Additional signature line must indicate "as guarantor."
- At least 1 borrower/guarantor must attest they are not a first-time homebuyer
- POA is not acceptable. Closing documents must be personally signed by the guarantor. Permitted for individual borrower, not permitted for cash out refi.
- An OFAC search is required for borrowers, guarantors and any member of the borrowing entity owning 25% or more.
- See Exhibit 2 for sample guaranty

13 BACKGROUND CHECK

All Loans must include a third-party fraud detection/background report on the borrowing entity and the guarantor. Report findings must cover standard areas of quality control including but not limited to borrower validation, Social Security verification, OFAC, Patriot Act, criminal records and property information (including other real estate owned).

14 ENTITY IDENTITY REVIEW PROCESS

LENDZ FINANCIAL will review entity documents to ensure the borrowing entity is duly formed with

full authority to conduct real estate transactional and borrowing activity in the state of formation or proper foreign registration documents in business is being performed. Furthermore, for entities with more than 1 member, provide evidence that the individual signing on behalf of the borrowing entity has the authority to conduct real estate transactions. Confirmation of good standing status must be reviewed on state websites to ensure borrowing counterparties are current on all state taxes and fees; in the state of formation and/or state business is being performed. Any entity must be in good standing and provide proper formation.

Borrower Entity Requirements:

- Allowable Entity Types: LLC, Sole Proprietorship, LP, LLP, S and C Corp, LLP
- The borrowing entity must be a single purpose entity with a defined purpose to engage in real estate investment activities
- At least one qualifying individual with $\geq 25\%$ interest must sign a personal guarantee Entity documentation:
 - Operating Agreement/Bylaws based on state requirements, must include an authorization to encumber real properties and signing authority
 - Certificate of Formation/Articles of Organization
 - Certificate of Good Standing or equivalent document
 - Certificate of Foreign Qualification or other qualification to operate in the state where business is being conducted (If entity is formed in a state other than where business is being performed)
 - EIN/W9 required.

15 TITLE INSURANCE

- Satisfactory title insurance coverage must be obtained for all loans confirming first lien position and no associated liens with the property including but not limited to mechanics, municipal, HOA, etc.
- The amount of coverage must be at least the amount of the original principal balance
- All applicable title endorsements must be included in the title policy
- Title policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interests therein

16 PROPERTY INSURANCE

- A Commercial, Landlord or rental dwelling policy with 6-months' rent loss coverage is required
- Blanket policies covering the subject property are permitted

17 PROPERTY TAX ESTIMATES

- New Construction: Property taxes should be calculated using 1.5% of sales price for

- qualification (1.25% in California) or documented tax rate from municipality. Purchase and Refinance: Use current tax amount per title or tax card.
 - CA Purchases use 1.25% of purchase price or documented tax rate from municipality. Do not use property tax amount of current owner.

18 PROPERTY REQUIREMENTS

18.1 APPRAISAL

- 1 full appraisal required for all transactions
- An appraisal prepared by an individual who was selected or engaged by a borrower, property seller, real estate agent or other interested party is not acceptable
- Transferred appraisals are acceptable, unless ordered by borrower or affiliate of the property seller.
- Form 1007 Schedule of Rents is required for all loans on Single Unit residences
- Short term rental income not permitted on 1007.
- For 2-4-unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required
- Interior inspections required, including photos, according to USPAP guides
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed
- Negative property influences must be disclosed and adjusted accordingly by appraiser. Including but not limited to : Water Tower, Cell Tower, Gas Station, Railroad Tracks, Landfill/Dump, Auto Repair, Auto Sales, Highway Overpass, On- & Off-Ramp, Billboards/Advertisements, Airports, Hospitals, Police & Fire Stations
- Properties with unpermitted additions: appraiser to determine if addition is completed in a workman like manner.
- Hybrid appraisals allowed-See Section 18.3 below for Additional Details
- Lendz Financial reserves the right to review all valuation reports and determine if the subject property value is supported.
- Truncating to meet acreage limits is not permitted

18.2 REVIEW APPRAISAL

- All loans require a desk review or other third-party valuation product.
- 3rd party valuation product (Desk review/CU/AVM) as determined by LENDZ FINANCIAL
 - LENDZ FINANCIAL will accept a desk review within +/-10% variance of original appraised value from approved TPR valuation vendors.
 - CU score of 2.5 or lower, no 3rd. party review required
 - Approved Desk Review Vendors
 - Consolidated Analytics
 - Clear Capital
 - Servicelink

- Stewart Lender Services
- Summit Valuations

18.3 Hybrid Appraisal

A hybrid appraisal is a type of desktop appraisal in which the inspection portion and report creation are handled by two separate parties. The work of physically inspecting the property is handled by a third party other than the appraiser, this can often be another licensed appraiser, a home inspector, or some other real estate professional. They gather all the property information as well as photos and transfer the data to a state licensed or certified appraiser who then creates a desktop valuation based on additional research of the property and the market in conjunction with the information supplied from the inspection.

Eligible Programs	All Programs	
Approved Vendors	LENDZ FINANCIAL Approved Vendors	
Hybrid Appraisal Type	Purchase, Rate/Term, Cash Out	Interior Hybrid Appraisal signed by a state licensed/certified appraiser. Market Rent and Rental Comparables Required
Max Loan Amount	\$1,500,000	
Min FICO	680	
Property Types	Eligible <ul style="list-style-type: none"> • SFR • Condo • PUD 	Ineligible <ul style="list-style-type: none"> • Rural • Leaseholds or Properties on leased land • Irregular or non-residential zoning • Atypical or extremely custom homes • Properties on acreage - 5+ Acres • Properties in need of major repairs • Condotels • New construction PUDs / Condos • Properties subject to inspection
Max LTV/CLTV	Transaction Type	Max LTV/CLTV
	Purchase	Max 70% LTV/CLTV
	Rate and Term	Max 65% LTV/CLTV
	Cash Out	Max 60% LTV/CLTV
Compliance	Both interior and exterior hybrid products offered are FIRREA compliant as the actual valuation product delivered is signed by a state licensed or certified appraiser.	

19 PROPERTY TYPES

Eligible	<ul style="list-style-type: none"> SFR/Condo/PUD (Max 6 Bdrms) or Townhome 2-4 Unit Modular/Prefabricated/panelizes or sectional housing Warrantable Condo Non-warrantable condo 10 acre maximum 	<ul style="list-style-type: none"> Minimum Square Footage – 500 sq ft per unit– No kitchenettes Mandatory Country Club Fee: Cannot exceed 10% of Purchase Price (golf resort)
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Ineligible	<ul style="list-style-type: none"> Assisted Living/Continuing Care Facilities Boarding Houses/Individual room leases Builder Model Leaseback C5 or C6 property condition grades Commercial Zoned, except Condo or Mixed Use Community Land Trusts (can't refi out) Condotels Co-Op Fractional Ownership/Time Shares Geodesic Domes Native American Leased Land Leased land if lease term does not exceed term of loan by 5 years 	<ul style="list-style-type: none"> Log Homes or Log Home Characteristics Manufactured Homes Mixed Use properties Properties under construction *Mandatory Rental Pools Shouses Tenants in Common Unique Properties Working Farms Zoning violations Live/Work Condos Rural Properties Industrial zoning Builder inventory
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*A rental pool in which the HOA also requires a certain # days the property needs to be made available for the HOAs rental team to offer out is ineligible.

19.1 CONDOS

- Condo project review must be in accordance with the FNMA Seller Guide
 - Must ensure there are no Ineligible Projects characteristics as defined by Fannie Mae, including projects in need of critical repair (such as a project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications (such as the Florida 30-Year Certification) specific to structural safety, soundness, and habitability), or the project would be considered non-warrantable and the non-warrantability characteristic must be listed as allowed per the below Non-Warrantable Condos eligibility table
- Lenz Financial to perform project review and designate as warrantable/non-warrantable
- Condo projects must be 100% complete and HOA turned over

No Project Review	<ul style="list-style-type: none"> Detached condos 2- to 4-unit projects
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Limited Review for Established Projects <u>except</u> Florida	<ul style="list-style-type: none"> Non-Owner: ≤ 75% LTV/CLTV
Limited Review for Established Projects in Florida	<ul style="list-style-type: none"> Non-Owner: ≤ 70% LTV/CLTV
Full Review	<ul style="list-style-type: none"> All new projects Project ineligible for limited review

19.2 NON-WARRANTABLE CONDO - Supporting Documentation to determine warrantability must be provided

Non-Warrantable Condos	
Presale	At least 30% of the units must be sold or under bona fide contract
Investor Concentration	Up to 70% of units can be tenant occupied
Commercial Space	Up to 50%
Recreational Leases	Eligible
Single Entity Ownership	A single entity can own up to 30% of units
Delinquent HOA	Up to 25%
Master Coverage Deductible	Up to 10% allowed
Reserves	<10% replacement, maintenance, and/or deductible
Material Litigation - Structural/Functional litigation against developer	Ineligible
Insurance Coverage	Coverage amount less than the full replacement amount is ineligible (Actual Cash Value is not permitted)
Newly Converted - Non-full gut rehabs	Ineligible
Mandatory Memberships	Cannot exceed 10% of purchase price
Flood Insurance	Projects in a flood zone with no master flood coverage is ineligible. Borrower individual policies are not

19.3 ACCESSORY DWELLING UNITS – ADU

- Appraiser to confirm ADU is typical to the area with supporting comparable.
- Rental income may be used with supporting appraisal comparable which contains permitted accessory units, Appraisal market rents survey, and lease with 1 month evidence receipt of income.
 - Purchase – Borrower to provide attestation regarding their intentions to rent the ADU.

- Unpermitted ADUs must be completed in a workman like manner and conform to the subject property. No rental income may be used to qualify.
- No more than one ADU per property.
- Conforms to all zoning laws/regulations
- Not permitted on four-unit properties.
- **Manufactured Home with ADUs are not permitted**

19.3.1 RURAL / AGRICULTURAL PROPERTIES-NOT PERMITTED

A property is generally considered rural when any of these characteristics are present:

- Zoned Rural, Rural Residential, RA, Agricultural, or no zoning
- Appraisal is marked Rural
- Appraisal commentary references rural and rural characteristics
- Outbuildings including barns, stables, workshops, crop storage etc.
- No paved service road
- Neighborhood is less than 25% built up
- Subject is in a community with a population of less than 25,000
- Distance to schools, employment, other services is more than 60 miles

19.3.2 MULTIPLE DWELLINGS ON 1 LOT/MULTIPLE APNS

- Properties with more than one 1-4 unit dwellings are not eligible.
- Multiple APNs are acceptable if the subject property is on one parcel or across the lot line. Additional adjoining parcel(s) may not have additional dwelling unit(s) and is limited to non-residential improvements.

19.3.3 COMMERCIAL INFLUENCE

Ineligible Properties near Commercial Influence:

- Environmental Hazards with potential impact to health and safety
- Industrial factory
- Located in an area not conforming to the neighborhood (i.e. few residential properties in density)
- Power plants

Appraisal Requirements for Homes near Commercial Influence

- Minimum 1 comparable with similar commercial influence
- Commercial influence adjustments if all comps are not located within the commercial influence

20 TITLE AND CLOSING

- Short form title policies are allowed
- Preliminary title report must include plat map and survey (as required), and final loan amount.

20.1 DEED RESTRICTIONS

- Deed restrictions that affect transferability of a property are not allowed. Age Restricted communities are allowed.

20.2 SOLAR / PACE / HERO LOANS

- Solar leases are allowed if the equipment owner is responsible for any damage because of installation/removal/defect/malfunction, and equipment owner is not listed as loss payee of on the insurance policy.
- Borrower to provide copy of lease for refinance. Purchases require copy of lease however reflecting in borrower's name to show they qualified for the transfer of solar lease.
- Power purchase agreements are eligible.
- PACE loans (or any similar loans with payments that are included in property taxes) are not eligible to remain on title; must be paid off through closing.

20.3 POWER OF ATTORNEY

- Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial application is signed by the borrower executing the POA.
- No POA may be used for cash out transactions.
- No POA may be used if closing in an entity
- An LOE regarding why a POA is needed must be provided.

20.4 E-SIGNATURES

- E-signatures are permitted except for the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, Riders/Addendums, and any state regulated disclosures. These documents require a wet signature.

20.5 ESCROW HOLDBACKS

- Escrow Holdbacks are not allowed

20.6 DISASTER POLICY

Post Disaster Inspections are required if a property is in a declared area and appraisal predates the disaster. Listings can be found by visiting <http://www.fema.gov/disasters> .

21 MISCELLANEOUS PROGRAM REQUIREMENTS

21.1 DOCUMENTATION AGE

- All credit documents including credit report and asset statements must be dated no more than 120 days prior to the note date. The note date is utilized for document expiration for all funding types including escrow and non- escrow fundings.

21.2 ASSUMABLE

- Eligible for ARM products after the fixed rate period with prior approval and qualification

21.3 LENDZ FINANCIAL EXPOSURE

- **Maximum financed properties: 15 residential**
- LENDZ FINANCIAL exposure to a single borrower/guarantor cannot exceed \$5MM UPB or 10 loans.
- Commercial properties and residential > 4 units excluded from calculation.

APPENDIX A

Ownership and Occupancy Analysis

Loan Application requires (1) Borrower to list all properties in their possession (owned/leased) and (2) residence address history for past 2 years.

Vendor Product will be ordered to validate the Loan Application and will additionally identify 'Properties Ever Owned'

The evaluation should include, but not be limited to the following:

Purchase Transactions:

Occupied Properties

- Review Purchase Contract for 'tenants in possession' language. Review HUD1 for seller credit to buyer for existing tenants prorated rent/security deposits.
- Review Appraisal 'Subject' section for 'Occupant' status (Owner/Tenant/Vacant)
- Second homes are subject to ATR – Properties in vacation locales should be reviewed for listing Vacant Properties
- Does borrower's profile indicate that the subject property is likely N/O/O (not commutable to the borrowers place of employment, not appropriate to accommodate borrower's family – size, bedroom count, etc., not consistent with borrower's net worth)?
- Is the subject consistent with the borrower's portfolio of other properties owned?
- Review PITI for Subject – is it greater than borrower's current rent/mortgage

Refinance Transactions:

- Review payoff statement mailing address of the borrower- should not be the same as the subject property
- Review address on credit report to determine if borrower ever claimed subject property as primary.
- If borrower claims they are departing the subject property and keeping as rental, request purchase contract or lease for proposed new housing and review for reasonableness of move up in size, room count, value, etc.
- Review Appraisal 'Subject' section for 'Occupant' status (Owner/Tenant/Vacant)
- Review for Homestead in homestead states