

Table of Contents

1. NON-QM UNDERWRITING GUIDELINES	3
1.1 GENERAL INFORMATION	3
1.1.1 FAIR LENDING POLICY	3
1.1.3 REGULATORY COMPLIANCE.....	3
1.1.4 ABILITY TO REPAY (ATR)	3
1.1.5 HOME MORTGAGE DISCLOSURE ACT (HMDA).....	4
2.0 GENERAL UNDERWRITING.....	4
2.1 DEVIATION FROM THE GUIDELINES	4
2.1.1 PRODUCTS	4
2.2 AGE OF DOCUMENTS	4
2.2.1 CREDIT REVIEW DOCUMENTS.....	4
2.2.2 APPRAISAL AGE	5
3.0 BORROWER ELIGIBILITY.....	5
3.1 ELIGIBLE BORROWERS.....	5
3.2 INELIGIBLE BORROWERS	5
4.0 OCCUPANCY	6
4.1 OCCUPANCY TYPES	6
5.0 TRANSACTION SPECIFIC	6
5.1 ELIGIBLE LIEN POSITION	6
5.2 SEASONING	6
5.2 MINIMUM/MAXIMUM LOAN AMOUNTS	6
5.3 GEOGRAPHICAL RESTRICTIONS	6
5.4 DOCUMENTATION	6
5.5 INELIGIBLE FIRST LIENS.....	7
5.6 RECENTLY LISTED PROPERTIES	7
6.0 CREDIT ELIGIBILITY	7
6.1 CREDIT SCORE.....	7
6.2 ASSUMABLE	7
6.3 TRADELINE REQUIREMENTS	7
6.4 HOUSING HISTORY	7
6.5 CREDIT EVENTS.....	8
7.0 INCOME AND EMPLOYMENT	8

7.1 INCOME DOCUMENTATION 8

7.2 DSCR 8

8.0 ASSETS 8

8.1 ASSET DOCUMENTATION 8

9.0 COLLATERAL 8

9.1 ELIGIBLE PROPERTY TYPES..... 8

9.1 ACREAGE LIMITATION 9

9.2 SOLAR PANELS..... 9

9.3 VALUATION 9

10.0 TITLE REQUIREMENTS 9

12.1 TITLE POLICY REQUIREMENTS 9

12.2 TERMS OF COVERAGE 9

1. NON-QM UNDERWRITING GUIDELINES

1.1 GENERAL INFORMATION

1.1.1 FAIR LENDING POLICY

Lendz Financial strictly complies with all applicable federal, state, and local requirements related to fair lending, including the Equal Credit Opportunity Act and the Fair Housing Act (together, the “Fair Lending Requirements”). Accordingly, in connection with its decision to purchase loans, Lendz Financial will not discriminate on any prohibited basis. Lendz Financial will also not knowingly fund loans from Loan Originators engaged in practices that violate Fair Lending Requirements. To the extent a Loan Originator is found to be engaging in practices that may violate Fair Lending Requirements, Lendz Financial may terminate its contractual relationship with such Loan Originator and take any other action that it deems appropriate.

1.1.3 REGULATORY COMPLIANCE

Loan Originators and any of their sub-servicers will be in compliance with all federal, state, and local laws including without limitation, all statutes, regulations, ordinances, administrative rules, and orders that have the effect of law, and judicial rulings and opinions, that apply to any of their origination, selling, or servicing practices or other business practices and related technology. The Loan Originator must comply with any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth in lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, mortgage insurance cancellation, debt collection, credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering, terrorist activity, ability to repay, state community and marital property, or the enforcement of any of the terms of the mortgage. Each Loan Originator will establish appropriate facilities and processes for monitoring applicable legal developments and implementing appropriate measures to stay in compliance with applicable law and will be able to demonstrate satisfactory performance of its legal compliance upon Lendz Financial’ request. The Loan Originator may be required to repurchase a mortgage loan that is in breach of the requirements of this section at any time.

1.1.4 ABILITY TO REPAY (ATR)

All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors based on available information in the mortgage loan file using reliable third-party records:

- Income or assets used to repay the loan
- Employment status
- Monthly mortgage payment on the subject loan (fully indexed, fully amortizing)
- Monthly payments for any simultaneous loans secured by the subject property
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents

- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations
- Monthly DTI or residual income
- Credit history

1.1.5 HOME MORTGAGE DISCLOSURE ACT (HMDA)

The Loan Originator is required to comply with the Home Mortgage Disclosure Act (HMDA), including without limitation all data collection, recordkeeping, and reporting requirements in connection with the Loan Originator's credit decision on each loan file delivered to Lendz Financial.

2.0 GENERAL UNDERWRITING

The Lendz Financial Series 3 Closed End Second guidelines are intended to reference and supplement the Lendz Financial Non-QM 11.4.24 guidelines. Refer to the Lendz Financial guidelines along with the Series 3 overlays for specific information concerning qualification requirements that are not specifically referenced in the guidelines. All loans must be manually underwritten

All Covered Loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c).

2.1 DEVIATION FROM THE GUIDELINES

Deviations from the underwriting guidelines based on compensating factors need to be documented in the loan file.

2.1.1 PRODUCTS

- Closed end second must have a 1st lien
- Concurrent closing ineligible
- Flex Connect/AUS program ineligible

2.2 AGE OF DOCUMENTS

2.2.1 CREDIT REVIEW DOCUMENTS

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Income verification/pay stubs
- Mortgage/rental verification
- Asset documents/bank statements
- Credit Report
- Title commitment/preliminary report/binder

Any credit review documents exceeding these timeframes must be updated.

2.2.2 APPRAISAL AGE

Residential Appraisals (1-4 units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in section.

Commercial Appraisals (5-8 multi-family, 2-8 mixed use): Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required.

Closed End Second products allow for use of an AVM. All AVMs are to be dated within 30 days of the Note date.

3.0 BORROWER ELIGIBILITY

3.1 ELIGIBLE BORROWERS

- US citizens
- Permanent Resident Alien
- Intervivos Revocable Trusts
- Non-Occupant Coborrower (must be non-occupant co-borrower on the 1st lien)
- No changes in the property vesting permitted unless removing a co-borrower or adding co-borrower whose income is not used to qualify.
- Vesting (DSCR only): Title vesting may be in an LLC as long as the borrower(s) have 25% ownership interest, and it is documents by the organization documentation
 - All borrowers (DSCR only) 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 purpose only.

3.2 INELIGIBLE BORROWERS

- Administrative (GSE) Excluded Party Lists
- Any parties to a transaction listed on HUD's Limited Denial of Participation (LDP) list, or the federal General Services
- Asylum applicants
- Borrowers party to a lawsuit
- Borrowers with diplomatic immunity
- Borrowers without a valid Social Security Number
- DACA recipients
- Foreign Nationals
- Irrevocable, Land, or Blind Trusts
- ITIN
- Non-Permanent Resident Alien
- POA for signing is ineligible
- Vesting in retirement vehicles

4.0 OCCUPANCY

4.1 OCCUPANCY TYPES

Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence or intends to occupy within 60 days of funding. May also be referred to as owner-occupied.

Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:

- Restricted to one-unit dwellings
- Must be suitable for year-round occupancy
- The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement.

Investment Property – An investment property is owned but not occupied by the borrower.

- All investment property programs require the signed Business Purpose and Occupancy Affidavit.

5.0 TRANSACTION SPECIFIC

5.1 ELIGIBLE LIEN POSITION

- 2nd lien only
- No existing lien can be subordinated to 3rd position.

5.2 SEASONING

- Borrower must have owned property for 6 months prior to the application date.
- Cash-out behind an existing subordinate lien must be seasoned 12 months from closing on the existing subordinate lien.

5.2 MINIMUM/MAXIMUM LOAN AMOUNTS

- Minimum loan amount = \$75,000
- Maximum combined loan amount = \$3,500,000

5.3 GEOGRAPHICAL RESTRICTIONS

- Texas 50(a)(5) is ineligible.

5.4 DOCUMENTATION

- 1st Lien Note and most recent Mortgage Statement must be provided (must be dated within 30 days of the note date).
- If 1st Lien closed in the name of an entity, guarantee and applicable entity documents must be provided (See IC Manual).

5.5 INELIGIBLE FIRST LIENS

- 1st Lien seasoned < 6 months
- ARMs (unless loan qualifies at 1st lien life cap payment & can't adjust for {36 months})
- Balloon
- CEMA transactions
- HELOC
- Loan terms > 40 years
- Loans in active forbearance or deferment (Prior COVID forbearances eligible if seasoned \geq 12 months and included in CLTV)
- Loans with fixed interest-only with less than five years of the interest-only period remaining from the new CES Note Date
- Negative Amortization
- Open Renovations
- Private Party
- Properties with a PACE lien (Unless satisfied w/ subject transaction)
- Reverse Mortgage

5.6 RECENTLY LISTED PROPERTIES

- Properties listed for sale in the last 6 months are not eligible.

6.0 CREDIT ELIGIBILITY

6.1 CREDIT SCORE

- Qualifying FICO
 - Full Doc & Alt Doc: Mid-score for the Primary Wage-Earner
 - DSCR: Highest Mid-score

6.2 ASSUMABLE

- Loans are not assumable.

6.3 TRADELINE REQUIREMENTS

- 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 will be used to satisfy minimum tradelines
- Non-traditional credit is not allowed as an eligible tradeline

6.4 HOUSING HISTORY

- Minimum 12 months housing/rental history required.

- 0x30x12

6.5 CREDIT EVENTS

Short Sale, Foreclosure, Deed in Lieu, Default Modification, Notice of Default, 120+ Delinquent and Single Bankruptcy.

- 4-year seasoning required
- BK – Ch 7, 11, 13 – based on discharge or dismissal date
- Multiple credit events are ineligible

7.0 INCOME AND EMPLOYMENT

7.1 INCOME DOCUMENTATION

Refer to UW Guidelines and matrix for complete guidance and document requirements per Doc Type.

7.2 DSCR

- DSCR is calculated using the lesser of 1007 or lease
 - If current lease exceeds market rent, borrower may use that amount up to 115% of market rent with most recent 3 months of evidence of rent receipts
- Minimum 1.0 DSCR
- Property must have a lease agreement in place
- Short-term rentals are ineligible

8.0 ASSETS

The following applies to all transactions unless otherwise stated.

8.1 ASSET DOCUMENTATION

See applicable Loan/LTV matrix for minimum reserve requirement.

9.0 COLLATERAL

9.1 ELIGIBLE PROPERTY TYPES

- SFR
- 2-4 units
- PUD
- Townhome
- Warrantable Condo
- See Lendz Guidelines and Series 3 Overlays for ineligible property types
- Rural Properties Ineligible
- Short-Term Rentals Ineligible

9.1 ACREAGE LIMITATION

- 2 acres maximum

9.2 SOLAR PANELS

- Properties with solar panels are eligible for purchase, however, should not be included in property valuation
- Solar panel agreements are permitted in accordance with FNMA guidelines

9.3 VALUATION

- Full Appraisal Required for:
 - > \$250,000 2nd UPB
 - > 80% CLTV
 - 1-unit SFR w/ ADU
 - 1-unit with UPB < \$250,000 2nd and AVM confidence score of “Low”
 - 2-4 units
 - DSCR loans (with rent schedule)
 - HPMLs
- 2055 Exterior Appraisal Allowed for 1-unit SFR with 2nd UPB < \$250,000 and AVM confidence score of “Medium” or “High”
- Desk Review not required on CES

10.0 TITLE REQUIREMENTS

12.1 TITLE POLICY REQUIREMENTS

Each loan funded by Lendz Financial must include a title insurance policy. If the file contains the Commitment for Title Insurance, it must indicate the policy will be issued upon payment of the premium. The underwriter must represent and warrant that the loan is covered by the required title policy, issued by a licensed insurer, and includes any required endorsements. The title insurer and policy must conform to Fannie Mae® requirements.

12.2 TERMS OF COVERAGE

- ≤\$250,000 – ALTA Residential Limited Coverage Junior Loan Policy insuring the second lien amount
- >\$250,000 – ALTA Standard Coverage Policy insuring the second lien amount