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1. NON-QM UNDERWRITING GUIDELINES

1.1 GENERAL INFORMATION

The Lendz Financial Series 4 Eligibility Guidelines are to be used in conjunction with the Lendz Financial Non-QM Eligibility Guidelines dated 11.4.24.

The Lendz Financial guidelines are intended to reference and supplement Fannie Mae's Seller Guide. Refer to the Fannie Mae Seller Guide 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).

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

2.0 SUMMARY OF OVERLAYS

1. Borrowers with CO8 Visas are not eligible.
2. Foreign National borrowers are not eligible.
3. Forbearance, modifications, and deferrals must follow the overlays contained within this document.
4. Borrowers using a PTIN for income are only allowed on an exception basis.
5. 5–8-unit properties are not eligible
6. Mixed-use properties are not eligible
7. Condo-tels are not eligible.

3.0 BORROWER ELIGIBILITY

3.3 NON-PERMANENT RESIDENT ALIENS

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 all products and programs available on the applicable Lendz Financial Matrix.

- Borrowers holding a CO8 designation are not eligible for funding

Refer to page 14

3.4 FOREIGN NATIONAL

A Foreign National is a non-resident alien who may not purchase property intended for use as a primary residence or second home. Occupancy is limited to investment.

Foreign Nationals are not eligible under Series 4

Refer to page 14

7.0 CREDIT ELIGIBILITY

7.9 CREDIT EVENTS

7.9.4 FORBEARANCE, MODIFICATION OR DEFERRALS

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

- COVID Forbearance must be released and fully current.
- Non-COVID deferred payments are unacceptable credit events and disqualify borrower(s) from financing.
- Mortgage Loan Modifications are acceptable with 36 months seasoning, min 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are:
 - Forgiveness of a portion of principal and/or interest on either the first or second mortgage.
 - Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.
 - Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage.
 - Conversion of any portion of the original mortgage debt from secured to unsecured

Refer to page to page 40

8.0 INCOME AND EMPLOYMENT

8.6 ALTERNATIVE DOCUMENTATION INCOME

8.6.1 BANK STATEMENT PROGRAM

The business being used to source income must be evidenced by one of the following:

- CPA, EA, PTIN (allowed by exception only), or CTEC Letter, or
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.

Refer to page 51

8.6.2 12- OR 24-MONTH PROFIT AND LOSS (P&L) ONLY STATEMENT

The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:

- CPA, EA, PTIN (allowed by exception only), or CTEC letter, or
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.

Refer to page 55

8.6.3 1099 ONLY INCOME

One of the following Business expense analysis methods:

- 90% Net Margin (10% Expense Factor), or
- 3rd Party prepared P&L (CPA, EA, PTIN (allowed by exception only), accountant, tax preparer)

Refer to page 56

8.7 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

8.7.6 DSCR RESTRICTIONS

8.7.6.1 INELIGIBLE PROPERTY TYPES

Assisted Living	Properties with less than 400 square feet living space
Barndominiums	Properties Under Construction
Boarding houses	Rural properties greater than 20 acres
C5 or C6 property condition grades	Tenancy in Common properties
Commercial properties	Time-shares
Geodesic domes	Unique Properties
Log Homes	Working Farms
Manufactured housing or Manufactured Homes	Vacant lots
Work escrows are not permitted	No Mortgage Loans financing builder inventory is permitted
5-8 Unit Properties	Mixed-use properties

8.7.7 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

8.6.7.7.1 PROPERTY INCOME ANALYSIS

- 5-8 Units are not eligible
- Mixed-use properties are not eligible

Refer to page 64

10.0 COLLATERAL

10.9 INELIGIBLE PROPERTY TYPES

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Agricultural properties (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Co-op/timeshare hotels
- Cooperative / Cooperative share loans
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Condo-tels/Condo-hotels
- 5-8 Unit properties
- Mixed-use properties

Refer to page 80

11.0 CONDOMINIUMS

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

11.4 CONDOMINIUM HOTEL – AKA CONDOTEL

- Not eligible for Series 4

Refer to page 82