SOLVE™ MORTGAGE

Non-QM Underwriting Guidelines

SERIES F: DSCR GUIDELINES

7-28-2023

#BetterCallSolve

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Introduction

1.0 Introduction

Solve Mortgage Credit Guidelines establish standards and criteria in which a loan will be eligible for purchase by Solve Mortgage. Sellers should use these Guidelines to understand how Solve Mortgage assesses risk and to understand Solve Mortgage program specifics and our process flow. While these Guidelines represent sound underwriting principles, Sellers are the Lenders extending credit to any applicants**. If a topic is not addressed within these guidelines, Solve Mortgage will align with Fannie Mae (FNMA), Chapter B3-1, Manual Underwriting Guidelines.**

The Credit Guidelines provide detailed requirements for purchase eligibility but Solve Mortgage is not obligated to purchase a loan even if it satisfies these requirements. Compliance with these guides does not create a commitment by Solve Mortgage to purchase. Further, Solve Mortgage does not require Sellers to make loans simply because they are eligible for sale to Solve Mortgage, nor does Solve Mortgage prohibit sellers from originating loans that are ineligible. Solve Mortgage has sole discretion to purchase any loans.

State and Federal specific regulatory requirements supersede all underwriting guidelines set forth by Solve Mortgage.

Seller Responsibilities:

Solve Mortgage Credit Guidelines must be interpreted and applied by the Seller in a manner that complies with the laws and regulations established by the Consumer Financial Protection Bureau (CFPB) and any other applicable laws and regulations.

Solve Mortgage has a no-tolerance policy as it relates to fraud. Sellers should have and follow their own established fraud and identity procedures for every loan to prevent and detect fraud (including, but not limited to, Social Security Number Verification, verbal verifications of employment, processing of 4506-CT, USPS, OFAC, AML and any other Exclusionary Lists). Loans containing fraudulent documentation or information will not be purchased by Solve Mortgage. Any determination of Seller involvement and/or knowledge of misrepresentation will result in the dissolution of any buyer-seller relationship. The appropriate agencies will be notified.

Additional Requirements:

- Deviations from the underwriting guidelines based on compensating factors are required to be documented in the loan file.
- Negative Amortization Feature or Equity Participations loans are not permitted.
- Solve Mortgage does not purchase loans defined as high-cost mortgages (or equivalent terms) under Federal or state law.
- U.S. Territory loans are not permitted. Properties must be in the United States.
- None of the Mortgaged Properties are secured by manufactured housing or unique property types, including without limitation, timeshares, agricultural properties, log homes or geodesic domes. No Mortgage Loans financing builder inventory is permitted.
- With respect to each Mortgage Loan, (1) each Mortgagor or Guarantor is a natural person and (2) at the time of origination, the Mortgagor or Guarantor was legally entitled to reside in the United States
- Occupancy - the Originator gave due consideration, at the time of origination, to information contained within the Mortgage Loan File, to evaluate whether the occupancy status of the related Mortgaged Property as represented by the Mortgagor was reasonable. The Borrower must complete

the Business Purpose & Occupancy Affidavit.

2.0 Borrower Eligibility

2.1 Eligible Borrowers

- U.S. Citizens: as defined by USCIS.
- Foreign National: (*See Appendix 8.4 for additional guidelines)
- Permanent Resident Aliens: A Permanent Resident Alien is an individual who is not a U.S. Citizen but maintains legal, permanent residency in the United States. A Permanent Resident Alien typically maintains an alien registration card ("green card").
- Non-Permanent Resident Aliens: A Non-Permanent Resident Alien is an individual who is not a U.S. Citizen but lives in the U.S. under the terms of an applicable Visa. Acceptable Visas for loan purchase are listed below.

Other than U.S. Citizens, all Eligible Borrowers must evidence their residency status by providing applicable USCIS documentation:

Eligible Borrowers	Required Documents	Notes
Permanent Resident Aliens	Alien Registration Card I-151 ("Green Card") **OR** Alien Registration Card I-551 with no expiration **OR** Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)	Front/Back Front/Back Front/Back
Non-Permanent Resident Aliens	Unexpired foreign passport with an unexpired stamp (valid for 3 years) [1] AND Evidence of Employment in the U.S. including an EAD document [2] **OR** Non-immigrant VISA (The following VISAs are acceptable: E-series, G-series, H-series, or O-series [3] OR Deferred Action for Childhood Arrivals (DACA) approval.	*See footnotes below for documentation requirement details.

1. Stamp must include the following verbiage: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence, Valid until MM/DD/YYYY Employment Authorized"
2. Employment Authorization Document must be issued by the U.S. Citizenship & Immigration Service (USCIS) providing authorization to work in the U.S. without restrictions.
3. An unexpired (at time of closing) Non-immigrant Visa with an Entry Stamp issued by the U.S. Department of State which will evidence legal entry into the U.S. for temporary residence. Visa must not expire for three years following the close date. Please see FNMA Guides for acceptable VISAs.

2.2 Eligible Vesting

Fee Simple with Title Vesting as:

- Individual
- Joint Tenants
- Tenants in Common
- Inter-Vivos Revocable Trust

Vesting is permitted in an Entity with the following requirements:

- Entity must be domiciled in a U.S. state.
- Business structure is limited to a maximum of four (4) owners/ members.
- Personal Guarantees must be provided by all owners/members of the Entity on the loan.
- Each Entity owner / member on the loan must sign the security instruments.
- Each Entity owner / member providing a Personal Guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member/owner providing a Personal Guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.

For each business type, the following documentation must be provided:

- Limited Liability Company (LLC)
  - Entity Articles of Organization, Partnership, and Operating Agreements as required
  - Tax Identification Number (Employer Identification Number – EIN)
  - Certificate of Good Standing
  - Certificate of Authorization for the person executing all documents on behalf of the Entity
  - LLC Borrowing Certificate required when all owners/members are not on the loan

- Corporation
  - Filed Certificate/Articles of Incorporation (including all Amendments)
  - By-Laws (including all Amendments)
  - Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated)
  - Tax Identification Number (EIN)
  - Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation
  - Receipt of current year franchise tax payment or clear search

- Partnership
    - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
    - Partnership Agreement (and all Amendments)
    - Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered)
    - Tax Identification Number (EIN)
    - Limited partner consents (where required by partnership agreement)

Borrower Types	Description
Primary	The borrower who is listed first on the application or the borrower who owns the majority interest in the entity in which the loan will be closed in the name of.
Co-borrower	Any borrower (other than the Primary) who is jointly responsible for repayment of the loan with the Primary Borrower. All Co-Borrowers must be on title.

All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.

2.3 Ineligible Borrowers

- All Persons with Diplomatic Immunity, as defined by the U.S. Citizenship and Immigration Services (USCIS.
- Seller Employee Loans.
- Irrevocable or Blind Trusts.
- ITIN Borrowers residing in the U.S.

501(c)(3) Organizations

- Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts
- Trusts or business entities where a Power of Attorney is used.
- Persons sanctioned by OFAC

2.4 Occupancy Eligibility

Borrower Types	Description
DSCR eXperienced Investors	A DSCR Investment Property is defined as a 1 to 4-unit residential property where the borrower (nor any relative of the borrower) cannot occupy. Requirements: ● First Time Investor(s) are permitted with minimum 1.00 DSCR, 12 months reserves and max 75% LTV. ● All investment property loan programs require a borrower executed Business Purpose and Occupancy Affidavit. The borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose Affidavit (sample document included in the Appendix Section of this guide).
	Any loan whereby the proceeds are used for personal, family, or household purposes is considered a consumer transaction and is ineligible for the DSCR Program. This includes cash-out on an investment properties where the loan proceeds are used for any personal use.

Transaction Eligibility

3.0 Transaction Eligibility

3.1 Purchase Money

Purchase money mortgages are mortgage transactions in which the loan proceeds are used to purchase the subject property. This is evidenced by a Contract Sale Agreement or Purchase Agreement that has been executed by the applicant (buyer who is a party to the transaction) and the seller. Additional requirements:

- Delayed 1031 Exchanges only are permitted for down payment and cash to close only.
- HELOCs and 2nd liens not permitted.

3.2 Rate/Term Refinance

A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays, or a court ordered buyout settlement. A seasoned non-first lien mortgage is a purchase money mortgage, a closed-end or HELOC mortgage that has been in place for more than 12 months (with no draws greater than $2,000 in the past 12 months). HELOC withdrawal activity must be documented with a Transaction History from the HELOC account.

- Cash-out Limit. Cash-out to the borrower limited to the lesser of 2% of the principal or $5,000.
- Sale Restriction. Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last six months by the current owner.

The new Rate/Term Refinance Loan amount is defined and limited by the following:

	Rate / Term Refinance Transaction
	Current first lien mortgage payoff amount
+	Any seasoned non-first lien mortgage payoff amounts on the subject property
+	Closing costs (must be reasonable and within market standards)
+	Prepayment fees
+	Court ordered buyout settlement (if applicable)
=	**New Loan Amount**

3.3 Cash-out Refinance Transactions

A Cash-out Refinance Transaction occurs when an existing mortgage lien is paid-off with the proceeds of a new first mortgage and the excess proceeds are distributed to the borrower. A Cash-out Refinance Transaction also occurs when a borrower obtains a mortgage for a property that is currently owned free and clear and the proceeds from the new loan are distributed to the borrower. All excess proceeds eligible for distribution to the borrower are net of customary fees, prepayment fees and other related closing costs. Review the Credit Matrix for the maximum cash out amounts permitted. Additional requirements for an Solve Mortgage eligible Cash-out Refinance loan are:

- Cash back as it relates to the maximum limits is defined as "cash in hand" to the borrower.
- Borrower on Title- At least one of the borrowers must be on title.
- A Cash-out Purpose Letter is required.
- Net proceeds from a cash-out transaction may be used to meet the reserve requirements.
- Sale Restriction- Property must be removed from listing for at least three months prior to application date.
- Properties listed for sale or purchased within the last 6 months (Note to Note), require a 5% reduction in LTV.
- For properties that have been listed by the current owner within the last six months, the LTV will be based on the lesser of the list price or appraised value
- LTV/CLTV Limit. If the subject property is owned for less than six months (Note to Note), then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value.
    - Proof of improvements are required.
    - Proof of purchase price is required as evidenced by the final Closing Disclosure (CD) from the property purchase.
- No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership.
- Delayed Financing. Borrowers who have purchased a subject property within the last six months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Rate Term Refinance if the following requirements are met (See FNMA Guides for additional information):
    - Arm's Length Transaction- The original purchase was an Arm's Length Transaction.
    - No Existing Mortgage Financing- The original purchase transaction is documented by the Settlement Statement which confirms that no mortgage financing was used to obtain the subject property.
    - No Existing Liens- The preliminary title report must confirm that there are no existing liens on the subject property.
    - Loan Amount Limit- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for cash-out transactions based on the current appraised value).
    - Source of Funds Paydown- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a

HELOC secured by another property), then all cash-out proceeds are to be used to pay- off or pay-down the loan used to purchase the property.

- settlement statement for the refinance transaction must reflect the above.
- any payments on the balance remaining from the original loan must be included in the DSCR ratio calculation for the refinance transaction.
- funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
- Source of Funds Documentation. Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.

3.4 Ineligible Transactions

- Assumable
- Construction to perm
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Lease Options/Rent-to-Own
- Land Contracts
- Non-Arm's Length Transactions
- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loan
- No Ground leases, No Buydown Mortgage Loan, No Pledged Asset Loan
- No Convertible Mortgage Loan - allows an ARM to convert to a Fixed Rate Mortgage
- Periodic Payment - Loans must have periodic payments due and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan

Credit

4.0 Credit

4.1 Analysis of Credit

Data found in credit reports provide pertinent information about an applicant's credit history and borrowing habits. Applicant information sourced from places such as a Residential Mortgage Credit Report (RMCR) or public records can help to build an applicant's credit profile and to meet Solve Mortgage eligibility requirements described in this section.

4.1.1 General Requirements

The lender is required to document that the borrower does not qualify for a GSE loan or has chosen a non-GSE loan program. Additionally, the lender is also required to include a copy of the final loan approval.

- The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required. Aging. The credit report should be dated within 120 days of the note and mortgage.
- In general, Solve Mortgage will evaluate an applicant's credit report to determine their willingness to pay debts. Among other things, the credit report will be reviewed for:
  - Age of accounts.
  - Delinquent payments: frequency, severity, aging.
  - Account balance size
- A written explanation for credit inquiries is not required for DSCR.

4.1.2 Credit Scores

FICO® is a credit score developed by FICO, previously known as Fair Isaac Corporation. FICO scores are derived by a credit-scoring model used to predict the likelihood of a default occurring. FICO scores are among the important factors in determining the customer's likelihood of debt repayment. The higher the FICO score, the lower the probability of default.

A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:

# of Borrowers	# of Scores per Borrower	Methodoloy
1	2 or 3	Lower of 2 or the Middle of 3 FICO Scores
2 or more	2	Determine the lowest score of each borrower, lowest score of that result is representative score
2 or more	3	Determine the mid-score of each borrower, lowest score of that result is representative scored

4.1.3 Tradeline Requirements

All borrowers must have an established credit history that is partially based on tradeline history. If a Borrower has three credit scores reporting on credit, then the minimum credit tradeline requirement for that borrower has been met.

All eligible borrowers will have open and active tradelines that meet the following requirements:

Required Tradelines	Active Reporting Period	Min FICO Required
3 Tradelines	≥ 12 months	Per matrix
Or		
2 Tradelines	≥ 24 months	Per matrix

Borrowers without the above minimum trade lines may qualify if there is a minimum of:

- At least four years of established credit history as follows:
- Eight or more tradelines reported.
- At least one active in the last 12 months, defined as the last activity within 12 months of the credit report date.

At least one of these tradelines must be a mortgage tradeline and may be counted as the active tradeline.

4.1.4 Housing history

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. VOMs are required for any mortgages including private mortgages with no additional documentation.

- Any housing event reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.

4.1.5 No Housing History or Less than 12 Months Verified

Borrowers who do not have a complete 12-month housing history are ineligible for the program. Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. Experienced investors who provide verification of living rent free are acceptable provided they own other REOs with acceptable mortgage financing history. A "rent-free" letter of explanation is required.

4.1.6 Collections, Judgments, Liens

- Judgements, Garnishments and Liens: The borrower must pay-off all open judgements, garnishments, and liens (including mechanics liens or material men's liens) prior to the loan closing.
- Collection Accounts and Charge-offs do not have to be paid in full if the following applies:
  - Collections and charge-offs < 24 months old with a maximum cumulative balance of $2,000
  - Collections and charge-offs ≥ 24 months old with a maximum of $2,500 per occurrence
  - Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)
  - All medical collections
  - Exception: IRS repayment plans with 3 months history of payments may remain unpaid.
- Past Due Accounts must be brought current

4.1.7 Forbearance, Deferred Payments, Modifications

- COVID Forbearance to follow FNMA Guideline requirements.
- Non-COVID deferred payments are unacceptable credit events and disqualifies borrower(s) from financing.
- Mortgage Loan Modifications are acceptable with 36 months seasoning, minimum 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are:
  - Principal and/or Interest Forgiveness on either the first or second mortgage
  - Principal Curtailment by or on behalf of the investor to simulate principal forgiveness
  - Conversion of any part of the original mortgage debt to a "soft" subordinate mortgage
  - Conversion of any part of the original mortgage debt from secured to an unsecured debt

4.1.8 Significant Adverse Credit Event

- Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off Mortgage and/or Foreclosure must be seasoned at least 36 months from time of application.
- Foreign National adverse credit not permitted.

Capacity

5.0 Capacity

Borrowers are not required to disclose employment information on the application (Form 1003). Income derived from regular employment, retirement or other investments should not be disclosed and tax returns are not required.
The application should otherwise be fully completed including the Schedule of Real Estate Owned listing all properties owned with any associated mortgages (including private mortgages).

5.1 Debt Service Coverage

Borrowers financing non-owner-occupied investment properties can qualify based on their ability to service the debt over the life of the loan. For Debt Service Coverage, property income is used to qualify the transaction. Debt Service Coverage is available to experienced Investors and First Time Investors provided they have a mortgage history, either purchasing or refinancing investment properties for business purposes.
Borrowers are qualified using the following Debt Service Coverage Ratio (DSCR)
DSCR = *Gross Rental Income ÷ Qualifying Monthly Mortgage Payment **(PITIA) or (ITIA for interest only loans)**. Qualifying on I/O's is based on the Interest only payment plus taxes, insurance, and HOA dues.
Rounding DSCR: Rounding up of the DSCR value is permissible from the 3rd decimal.
Interest Only loans require a minimum FICO score as per current Program Matrix.
On Purchase transactions, the qualifying rent figure will be the higher of the 1007 or the current lease provided the difference is not greater than 20%. When the 1007 is greater than 20%, Seller may use up to 120% of the Lease amount to qualify (i.e., lease is $1100 and 1007 is $1500 then $1320 may be used to qualify). When the Lease is greater than 20%, the higher Lease amount may be used with 3 months current proof of receipt of the higher rental income.

- If subject property leased on a short-term basis utilizing an on-line service such as Airbnb or VRBO, gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction required when using short term rental income to qualify.

On Refinance transactions, the qualifying rent figure will be the higher of the 1007 or the current lease provided the difference is not greater than 20%. When the 1007 is greater than 20%, Seller may use up to 120% of the Lease amount to qualify (i.e., lease is $1100 and 1007 is $1500 then $1320 may be used to qualify). When the Lease is greater than 20%, the higher Lease amount may be used with 3 months current proof of receipt of the higher rental income.

- For unleased property refinance transactions, there is no vacancy factor and the gross rents shown on the 1007 may be used.
- Leases are required to be no less than twelve (12) months but may convert to month-to-month upon expiration.
- If subject property leased on a short-term basis utilizing an on-line service such as Airbnb or VRBO, gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt

of rental income. In addition, a screen shot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction required when using short term rental income to qualify.

Debt Service Coverage Ratio (DSCR) must be greater than or equal to a minimum of 1.00 to qualify for purchase by Solve Mortgage.

- Additional requirements that must be met when utilizing DSCR Investment Programs are: Rent loss or loss of use coverage of six months PITIA is required.
- Seller must supply evidence of the DSCR calculation amount, i.e., the amount to be listed on the 1008, Seller's DSCR Worksheet Calculation or the Solve Mortgage DSCR Income Calculation Worksheet.
- Experienced Investors – proof of management history for at least one year is required. Borrower(s) working in the property management industry constitutes experience and is acceptable.
- First Time Investors– permitted with minimum 1% DSCR, 12 months reserves and max 75% LTV.
- Foreign Nationals - permitted with proof of primary home ownership and 12 months reserves.

Note: Borrowers on Investor loan programs must execute the Business Purpose and Occupancy Affidavit (See sample document under Appendix Section 8.2) that attests to the following for a loan to be considered an Investor Loan.

- No borrower(s) or borrower relatives (direct or by marriage) will occupy the subject property.
- Ownership of the subject property is for business purposes only.

5.1.1 Subordinate Financing

Not permitted.

5.1.2 Adjustable Rate and Interest Only Qualifying

For all ARM loan transactions, the greater of the Note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.
All ARM Notes and Riders should contain ARCC fallback language consistent with FNMA.

ADJUSTABLE-RATE CRITERIA SOFR	
	eXperienced Investor
MARGIN	6.0
CAPS	5 YEAR ARM = 2/1/5
	7 YEAR ARM = 5/1/5
INDEX	30 DAY AVERAGE SOFR
RESET PERIOD	6 MONTHS
FLOOR	MARGIN

30 Day average SOFR Index as published by the New York Federal Reserve

5.2 Assets

Measuring liquid assets is required to determine if a borrower has sufficient funds to pay for a down payment, closing costs and required reserves. The following is a list of established assets that can be used to determine a borrower's liquidity. Next to each asset is the value that Solve Mortgage assigns based on its liquidity.

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (75% net of margin debt). Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- Restricted Stock Units (RSU). Refer to FNMA Guides.
- IRA, Keogh, and 401(K) Retirement Accounts (60 % of vested balance after deducting outstanding loans secured against it) including ROTH. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.
- Pension Plans (60%). Only amounts accessible within a 30-day window are permitted. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.
- Annuities (60%). Only amounts accessible within a 30-day window are permitted.
- Trust Accounts (100%). Must review a copy of the full Trust.
- The use of business assets for self-employed borrowers for down payment, reserves and closing costs are allowed. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account. Access letters from the remaining owners of the business must be obtained as well..
- Spousal accounts - Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the requirements outlined in Verification of Assets. Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.
- Crypto Currencies, Bitcoin and Ethereum, are an eligible source of funds for down payment and closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Note date at 60% of the current valuation. Crypto currency is not an eligible liquid asset for asset utilization/depletion.
- Delayed 1031 Exchange funds for "like—kind exchange" are eligible for EMD, down payment and closing costs. 1031 Exchange funds are ineligible for reserves.

5.2.1 Verification of Assets

The lender may use any of the following types of documentation for verification.

- Verification of Deposit (VOD) Form. The information must be requested directly from the depository institution. The completed, signed, and dated document must be received directly from the depository institution.
- Bank statements and investment portfolio statements.
- Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The statements must cover account activity for the most recent 30 days. A summary statement will not be accepted.
- The statements may be computer generated forms and must include the following:
    - The borrower as the account holder
    - The account number(s)
    - The timeframe the statement(s) cover
    - All deposits and withdrawal transactions
    - The previous close balance, the current balance, and the ending account balance.
    - Retirement account statements must be from the most recent period and show the borrower's vested amount and terms.

5.2.2 Other Requirements

- Assets must be seasoned 30 days and any large deposits as determined by the underwriter will need to be sourced. (**See Section 8.4 for Foreign National requirements)
- The borrower must demonstrate they have 10% of their own funds for the down payment.
- Gift Funds.
    - Gifts must be from a family member. Gifts can be used to pay off debt.
    - The borrower must have a minimum of 10% of their own funds available.
    - Gift funds cannot be counted towards reserves.
    - Purchase transaction only.
- Unsecured loans, sweat equity, gift of equity and gifts that require repayment are ineligible for sources of down payment.

5.2.3 Reserves

Reserve Requirements		
Program	**Loan Amount**	****Months**
eXperienced Investor	< $1,000,000	3 months
	$1,000,000 - $1,500,000	6 months
	>$1,500,000	9 months
	R/T Refinance with ≤65% LTV	No minimum reserves required
First Time Investor	Any Loan amount	12 months
Foreign National	Any Loan Amount	12 months PITIA reserves ***plus*** 2 months for each additional financed property.

** Reserves are not stacked with the exception of Foreign Nationals which require reserves for additional financed properties.

5.2.4 Seller Concessions

Occupancy	LTV	Max Percentage
Investment	All	3%

Seller Concessions include:

- Financing concessions exceeding the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under $1,000 should be excluded).
- The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.

Collateral

6.0 Capacity

6.1 Eligible Property Types

- Single Family Dwellings
- 1-4 Family Dwellings
- Planned Unit Developments (PUD)
- Condominiums
- Co-Ops
- Modular Homes
- Leaseholds (in areas where leaseholds are common)

6.2 Ineligible Property Types

- Manufactured housing or Manufactured Homes
- Working Farms
- Time-shares
- Boarding Houses
- Rural Properties on greater than 20 acres
- Commercial Properties
- Vacant Lots
- Log Homes
- Mixed Use Properties
- Assisted Living
- Properties Under Construction
- C5 or C6 Property Condition Grades
- Unique Properties
- Work Escrows are not permitted
- Agricultural properties
- Geodesic Domes
- Tenancy in Common properties
- Properties with less than 500 square feet living space
- No Mortgage Loans financing builder inventory is permitted.
- Properties with values in excess of the predominant value of the subject's market area may be ineligible

6.3 Declining Markets

Properties with appraisals that show the “Neighborhood – Housing Trends” marked as Declining may be subject to a reduction in LTV/CLTV. The distinction of a Declining market is determined by the Appraiser. Appraisers are required to pull median house price data over the last 12 months and analyze it to determine the market trends for that area and property type.

DECLINING MARKETS			
Required to be applied for LTVs >65%			
Property Value	**Demand**	**Market Time**	**Reduc�on to LTV**
Declining	Shortage or In Balance	Under 3 mths	5%
Declining	Shortage	3-6 mths	5%
Declining	In Balance	3-6 mths or Over 6 mths	10%
Declining	Over Supply	Over 6 months	10%

6.4 Flips

When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a “flip”. To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used.

- Flip transactions are subject to the following requirements:
  - All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
  - No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
  - The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
  - No assignments of the contract to another buyer.
  - If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.
  - Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/appraisals-higher-priced- mortgage-loans/. A second appraisal is required in the following circumstances:
  - Greater than 10% increase in sales price if seller acquired the property in the past 90 days.
  - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days.

6.5 Transferred Appraisals

Appraisal transfers are permitted when the Seller has received approval from Solve Mortgage in advance for their appraisal transfer policy to ensure compliance with the Home Value Code of Conduct (HVCC) and Appraiser Independence requirements and are subject to the following requirements:

- Appraisal must have been completed by an approved AMC.
- The appraisal must be less than 60-days old (less than 120-days at closing) and ordered through an Appraisal Management Company.
- A letter must be obtained from the original lender on their letterhead stating they are transferring the appraisal to the approved Solve Mortgage lender. The letter must transfer the ownership and rights for the specific transaction.
- The Lender must certify they have complied with Federal, State and FNMA Appraisal Independence requirements.
- An appraisal delivery form must be provided to the borrower to confirm the borrower's receipt of the appraisal within three (3) business days of the report's completion.

If the original Lender will not transfer the appraisal or provide the transfer letter, then a new appraisal is required.

6.6 Project Review Warrantable

FNMA eligible Warrantable projects are permitted.

Site Condos meeting the FNMA definition are eligible for single-family dwelling LTV/CLTV. Maximum project exposure shall be $2,000,000 or 15% of project whichever is lower.

6.7 Project Review Non-Warrantable

Non-warrantable condominiums are eligible based on the following characteristics. See Credit Matrix for LTV restrictions.

NON-WARRANTABLE CONDOS	
CHARACTERISTIC	EXCEPTION CONSIDERATIONS
COMMERCIAL SPACE	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.

COMPLETION STATUS	The project, or the subject's legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
CONDOTELS	• 50% of the total units in the project or subject's phase must be sold or under contract. • Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete. • Project may be subject to additional phasing. • HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only. • Maximum LTV/CLTV Purchase: 75% • Maximum LTV/CLTV R/T and Cash-Out: 65% • Minimum Loan Balance: $150,000 • Maximum Loan Amount: $1.0 million • Max DTI 50%or Min DSCR of 1 • Primary, Second Home and Investments • Investor concentration, within the subject project, may exceed established project criteria, up to 100% • Minimum square footage of 500 and at least 1 Bedroom required. • Fully functioning kitchen – define as a full-size appliance including a refrigerator and stove/oven. • Projects with names that include the words "hotel," "motel," "resort," or "lodge" are acceptable. • Project must have obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines
DELINQUENT HOA DUES	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
INVESTOR CONCENTRATION	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condominium project can be demonstrated.

HOA CONTROL	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period
HOA RESERVES	HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
LITIGATION	Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
NEW PROJECTS	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
SINGLE ENTITY OWNERSHIP	Single entity ownership in project up to 25%.

6.8 Appraisal

A full appraisal involves a complete inspection of the home, including the interior and exterior of the subject property. Acceptable appraisal report forms must follow FNMA and FHLMC standards which include Uniform Appraisal Data Set (UAD) Specifications and the Field Specific Standardization Requirements. Additional requirements:

- Properties must be appraised within the 12 months that precede the date of the mortgage. When the appraisal report is more than 120 days old, the appraiser must perform an update per FNMA 1004 D or FHLMC Form 442 which includes inspection of the exterior of the property and review of current market data to determine whether the property has declined in values since the date of the original appraisal.
- Uniform Residential Appraisal Report (URAR)
- FNMA form 1004 / FHLMC Form 70 for use on one-unit properties including individual units in Planned Unit Development (PUD) projects. See Solve Mortgage Credit Matrix for additional appraisal requirements.

Obtain Appraisal Form 1007 and use 100% of the gross market rent in DSCR calculation.

6.9 Valuation Overview

Solve Mortgage uses FNMA Guidelines as our minimum appraisal standards for all written appraisal reports. Reports must include/have, at a minimum, the following:

- Uniform Appraisal Standards
- Appraiser Independence

- Appraiser Competency
- Fair Lending Requirements
- Vendor Selection Process
- Acceptable Appraiser Practice Standards
- Compliance with the Uniform Standards Professional Appraisal Practice (USPAP), as established by the Appraisal Standards Board of the Appraisal Foundation
- See complete FNMA Guides at www.efanniemae.com
- See complete USPAP Guides at www.uspap.org

Appraisal Independence

Solve Mortgage expects to receive honest, unbiased professional opinions of value.

- Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties.
- Solve Mortgage prohibits associates from asking appraisers to report a predetermined value or withhold disclosure of adverse features.
- **All appraisals must be ordered through an Appraisal Management Company (AMC)**
- **We will not accept an appraisal from an appraiser who works for the lender, borrower or any parties affiliated with the transaction.**

All appraisals will be following the Appraiser Independence Requirements pursuant to the Dodd-Frank Wall Street Reform and the Consumer Protection Bureau Act of 2010. Compliance with the Appraiser-Independence Requirements will be reviewed by an independent third-party.

A LICENSED OR CERTIFIED APPRAISER MUST SIGN ANY REPORT PREPARED FOR THE LENDER IN ORDER FOR THIS LOAN TO BE ELIGIBLE FOR PURCHASE BY Solve Mortgage.

Appraisal Review Requirements

Appraisal reviews are required for all loan amounts. Any loan amount over $2,000,000.00 will require 2 full appraisals. The lesser of the two is to be used for valuation for the loan file.

Collateral Desktop Analysis (CDA) from Clear Capital Appraisal Management or an independent vendor required; or Appraisal Risk Review (ARR) from Pro Teck is required when the CU score is greater than 2.5.

- If a valuation from either of these companies is less than 90% of the appraised value, then the LTV will be calculated using the lower of the CDA or the ARR value.
- If CDA or ARR are not available, then another appraisal is required.
- All mortgage transactions located in a federally declared disaster zone, whether it is a purchase or a refinance, will require a Disaster Inspection Report. The practice of obtaining a Disaster Inspection Report should continue for a minimum of 90 days from the date of the disaster and display a completion date that doesn't exceed 15 days prior to the loan closing.
- On all Purchase Money Transactions, closing instructions should indicate that no credits for property conditions are permitted and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.

6.10 Title Insurance Requirements

The purpose of title insurance is to provide evidence of ownership and the lawful possession of a property. It protects the owners (in the case of an owner's policy) and lenders (in the case of a mortgage loan policy) against loss if the chain of property is imperfect or against unknown encumbrance against the property.

Solve Mortgage requires coverage provided by American Land Title Association (ALTA) or an equivalent association. Either a Standard or Short Form Policy is acceptable. Short Form Policies are provided due to a shorter turnaround time, allowing a faster delivery to the secondary market.

Eligible title insurance must reflect the following:

- The effective date of the commitment should be dated within 120 days of the signing of the note and the mortgage. If the date exceeds 120 days, the title company must update the commitment with either gap coverage or an updated commitment. Please note that Texas loans must be within 90 days.
- Title insurance is required, the amount of the policy must be the same as the amount of the loan.
- All title vesting must be reviewed to insure it is as it appears on the application. All title holders are required to authorize the mortgage transaction which is accomplished by requiring all non-applicant title holders to sign certain closing documents.
- When title insurance is required on a property that is held in trust, the trust agreement must be reviewed and approved by the title company and Seller's underwriters. Solve Mortgage will not allow loans that are held in an irrevocable trust.
- The definition of the estate should be Fee Simple.
- For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing.
- The legal description for the property should appear as it does on the appraisal and the application. The tile report must contain the entire legal description and may be identified by lot and block or metes and bounds description.
- The original title commitment should be countersigned by an authorized person from the title company.
- Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment.
- Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid-off and released at or prior to closing the loan. If any liens are to remain open, they must meet Solve Mortgage's subordination guides.
- Liens and Judgments. Any liens (i.e., federal tax liens, mechanic's liens) or judgements must be paid-off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar liens are to be subordinated or paid off. HERO liens must be paid.
- Real estate taxes and assessments are liens against the property that take precedence over all other liens. If the property owner fails to pay their taxes or assessments, then the county or city can sell

the taxes to obtain the monies owed to them. Even if a lender has interest in the property the taxes can be sold.

- If taxes on the subject property are due and payable within 30 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy.
- If a title company requires an escrow account when the due date is beyond 30 days (i.e., 45 days),
- then all parties must adhere to the title company's requirements.
- All borrowers must sign the title company's prepared escrow agreements at closing.
- Easements are rights that a person has on the property/land of another person. Examples of easements are public utility easements, mineral rights, beach rights and riparian rights. These will not affect our lien position and can remain as exceptions on the title policy.
- Encroachment is construction on the property of another, i.e., wall, fence, or a driveway. Encroachments listed on the preliminary title report can remain as an exception on the final title policy if the title company will insure against loss or damage caused by the enforced removal of the real property that is encroaching onto the easement. However, if the title company will not provide insurance, then the encroachment must be reviewed by Seller's underwriter to determine if this will materially affect the value of the property/improvements or our security interest.
- Surveys. All survey exceptions must be cleared on all loan products. Solve Mortgage will defer to the title company to advise on what is necessary to remove the survey exception.
- Homeowners Association Dues. HOA dues must be current or paid current at time of closing. A letter from the association is required stating that the applicant's dues are up to date, that there are no liens currently and that no liens have been placed on the subject property due to non- payment of dues.
- Lis Pendens. A legal notice that is recorded to show any pending litigation relating to the property. Anyone that is acquiring an interest in the property subsequent to the date of the notice may be bound by the outcome. All Lis Pendens are to be removed or the application will be denied.
- Rebuild in Coastal Areas. The application will be denied if the subject property is in a coastal area and cannot be rebuilt.
- Oil and Gas Leases and Mineral Rights. Solve Mortgage will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not provide for any surface rights. If lease does provide for surface rights this property will be ineligible for sale to Solve Mortgage.
- Agreements such as private well and septic, private roads and shared driveways also require affirmative language and can remain as an exception on the title unless they relate to a public utility. Private well agreements need to be reviewed to determine whether the well is on the subject property or the rights to the well will be transferred with the title to the property. If this is not the case, the subject property may be considered ineligible for sale to Solve Mortgage.

Unacceptable Title Defects can be, but are not limited to, the following:

- Open liens, judgements, taxes, or tax liens
- Non-clearance of a probated property
- Foreclosure

- Properties with unexpired redemption periods.

6.10.1 Title Policy Requirements

Only accredited title companies with an acceptable rating can provide title insurance and ownership reports.

Endorsements

Solve Mortgage requires all applicable endorsements to be present in a Title Insurance Policy. Endorsements are available for title insurance policies only and they provide affirmative language and or protection to the lender for the specific exceptions being left on the title that typically occur due to property type. The following is a list of required endorsements:

- Comprehensive Endorsement Survey (ALTA Form 100 or ALTA 9)
- EPA Endorsement (ALTA 8.1)
- Condominium Endorsement (ALTA 4)
- PUD Endorsement (ALTA 5)
- Adjustable/Variable Rate Endorsement (ALTA 6)

Spousal Property Rights

Marital property law affects the ownership, control, and disposition of property during a marriage, upon divorce and upon the death of a spouse. Common law, community property and homestead rights all have an impact on how certain real property may be conveyed, encumbered, or transferred to a creditor to satisfy debt in case of a foreclosure. The initial and final CD to be signed and dated by non-spouse (refi's only).

Certain states require marital signatures on all transactions. Spouses that are not applicants should not be required to sign the promissory note. There will be times that we may require a spouse to sign necessary documents per state requirements for homestead rights.

Survey Requirements – Each loan will have

- A survey of the property securing the loan; or
- A survey affidavit, acceptable in all respects to the title insurance company insuring the loan, such that the title insurance policy insuring the first mortgage encumbering the loan is without exception regarding any matter related to a survey including:
  - the location of improvements on the subject property
  - the location of easements on the subject property
  - the location of encroachments affecting the subject property, or the subject property's metes and bounds
- If a survey is included, the survey must have been certified, dated, and signed by a licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.
- Surveys must be reviewed by the lender for easements, encroachments, flood zone impacts and possible boundary violations.

6.11 Hazard Insurance Requirements/Cond (HO6)

Hazard insurance must protect against the loss or damage of the property from fire and other hazards covered by the standard extended coverage endorsement. Solve Mortgage requires hazard insurance protection on

all loans. A declaration page is required prior to closing for all loans as proof of insurance. On all refinance transactions, if the coverage termination date is within 30 days of the closing, Solve Mortgage will require evidence of continuing coverage. A loss payable endorsement is required for all loan transactions.

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum:

- Wind
- Civil commotion (including riots)
- Smoke
- Hail
- Damages caused by aircraft vehicle or explosions

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless that have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.
The HOI Policy must be effective for at least 60 days after the date of funding. Evidence of Insurance can be provided in one of the following forms:

- Policy
- Certificate of Insurance
- Insurance Binder

Other Requirements

- Solve Mortgage requires Hazard Insurance protection on all loans. A Declaration Page is required prior to closing for all loans as proof of insurance.
- Solve Mortgage will require evidence of continuing coverage on all refinance transactions where the coverage termination date is within 30 days of the closing,
- A Loss Payable Endorsement is required on all loan transactions.
- Property Insurance Minimum Rating requirements must be met

Disaster Policies

Solve Mortgage will allow loans that are secured by properties that are located within a declared disaster area or in an undeclared disaster area, either man-made or natural, subject to the following conditions:

- Solve Mortgage reserves the right to require a written certification from the appraiser, a Disaster Inspection Report, which indicated that the value of the property has not been affected by any damage arising out of the disaster and that the subject property is in marketable condition and that there are no major repairs needed or detrimental conditions to the subject property.
- Borrowers are required to complete a Borrower Certification at time of closing on the physical condition of the property.

Deductibles

- Family Residences. The maximum allowable deductible, to include any separate wind-loss or other separate deductibles that apply to a specific property element, is 5% of the face amount of the policy.
- Condos, Co-ops, and PUDs. The maximum deductible amount for policies covering the common elements must be no greater the 5% of the face amount of the policy.
- For losses related to an individual unit in a co-op or PUD that is covered by a blanket policy; the maximum deductible is no greater than 5% of the replacement cost.
  - If there is a wind-loss deductible, then the deductible must be no greater than 5% of the face amount of the policy.
- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Evidence of Insurance

- Names of the borrowers to reflect same name as on the Note/Security Instrument
- Property address must match the Note/Security Instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage
- Premium amount
- Coverage amounts and deductible
- Loss Payee Clause as applicable
- Signed and dated by the agent

Amount of Coverage Required

Hazard Insurance coverage must comply with state, federal laws and should be for the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

Determining the amount of required Hazard Coverage

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft vehicles or explosions.

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless they have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.

Provided below is a formula for determining the required amount of hazard insurance coverage that is generally required for first mortgage liens.

Step 1: Compare the insurable value of the improvements (established by the property insurer) to the unpaid principal balance of the mortgage.

1. If the insurable value of the improvements is less than the unpaid principal balance, then the insurable value will be the amount of coverage required.
2. If the unpaid principal balance of the mortgage is less than the insurable value of the improvements, then continue to step 2.

Step 2: Calculate 80% of the insurable value of the improvements.

1. If the result of this calculation is less than or equal to the unpaid principal balance of the mortgage, then the unpaid principal balance will be the amount of coverage required.
2. If the result of this calculation is greater than the unpaid principal balance of the mortgage, then this calculated figure will be the amount of coverage required.

Examples:

	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Balance	$95,000	$90,000	$75,000
80% Insurable Value	-	$80,000	$80,000
Required Coverage	$90,000	$90,000	$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

6.12 Miscellaneous

Fraud Reviews

Data integrity is crucial to having a quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e., Fraud Guard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

Closing Documentation

All closing documentation (i.e., Notes, Deeds of Trust, etc.) must conform to and be FNMA approved. The use of any Non-FNMA documentation must receive prior approval from Solve Mortgage.

Age of Documents

Credit documents must be no more than 120-days old from the date the Note is signed and 120 days for appraisal(s). The Note date is utilized for documentexpiration for all funding types including escrow and non-escrow funding.

Prepayment Penalties

Permitted on investment property loans only. Solve Mortgage will not purchase loans with prepayment penalties in the following states. All other loans with a prepayment penalty must be in compliance with applicable state law. For additional information, please see Appendix 8.4 Investor Prepayment Penalty Reference Guide.

- Alaska
- Illinois to individual borrowers. Permitted to legal entities when APR is =<8%
- Kansas
- Minnesota
- New Jersey to individual borrowers. Permitted to legal entities
- New Mexico
- North Dakota
- Ohio loan amounts <$107,633 (for 2023)
- Pennsylvania loan amounts =<$301,022 (for 2023)
- Washington ARM loans. Permitted on Fixed rate loans

Escrows

- Escrows are required for LTVs greater than 80%
- Flood Insurance must be escrowed.

Maximum Finance Properties

- Solve Mortgage's exposure may not exceed $5MM or 10 loans aggregate to any one borrower.
- There is no limitation to the total number financed properties allowed to any one borrower when the subject property is an investment property.

Exceptions

7.0 Exceptions

Exceptions to Solve Mortgage Guides can be made at the lender's discretion. The lender's Underwriter should review the loan file to ensure prudent underwriting was used as well as listing compensating factors for the loan exception.

Solve Mortgage is under no obligation to purchase loans that meet these guidelines or has an exception on the loan file. Compliance with these guides does not create a commitment by Solve Mortgage to purchase. Any loans that will be purchased are at the sole discretion of Solve Mortgage.

8.0 Appendix

- Business Purpose & Occupancy Affidavit
- Personal Guaranty Agreement (Sample)
- Condo Questionnaire (Limited Review)
- Condo Questionnaire (Full Review)
- Investor Prepayment Penalty Reference Guide
- Foreign National

8.1 Business Purpose and Occupancy Affidavit

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT (the "Affidavit")

LOAN NO: ______________________ (the "Loan")
BORROWER(S): ______________________
____
PROPERTY ADDRESS: ______________________ (the "Property")

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. **I have applied for this Loan and am seeking financing for the Property for business purposes only.** I do not intend to use the proceeds of the Loan for personal, family, or household purposes.

2. **The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit.** If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.

3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.

4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents, and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.

5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**

6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 1601 *et seq.*) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

7. **I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.**

Initial(s):

☐ **The Property is not and will not be occupied by me or any member of the LLC or any family member.**

Borrower(s) / Borrowing Entity Members:

______________________ Date ______________ NOTARY PUBLIC

______________________ Date ______________

8.2 Personal Guaranty Agreement

PERSONAL GUARANTY AGREEMENT

THIS GUARANTY ("Guaranty") is effective as of ___________________, 20__, and dated the same date as the Note and Security Instrument (the "Loan Documents") securing the property located at ____ (the "Subject Property") by (the "Guarantor", collectively if more than one), for the benefit of (the "Lender").

IN CONSIDERATION FOR Lender agreeing to lend the sum of $____________ to ____ (the "Borrower"), the Guarantor, does hereby absolutely, unconditionally and irrevocably guarantee to Lender, its successor or assignee, as their interests may appear, jointly and severally with other guarantors, each of the following:

(a) Guarantor guarantees the full and prompt payment when due, whether at the Maturity Date or earlier, by reason of acceleration or otherwise,

(b) Guarantor guarantees all costs and expenses, including reasonable Attorneys' Fees and Costs incurred by Lender in enforcing its rights under this Guaranty,

(c) Guarantor guarantees the full and prompt payment and performance of, and compliance with, all of Borrower's obligations under the Loan Documents when due, and

(d) Guarantor has a direct or indirect ownership or other financial interest in Borrower and/or will otherwise derive a material benefit from the making of the Loan.

Defined Terms. The terms "Indebtedness," "Loan Documents," and "Property Jurisdiction," and other capitalized terms used but not defined in this Guaranty, will have the meanings assigned to them in the Loan Agreement.

NOW THEREFORE Guarantor acknowledges and agrees:

The liability of the Guarantor shall exist and continue to exist whether or not the signature or name of the undersigned appears on any evidence of indebtedness from the Borrower to the Lender.

The undersigned Guarantor hereby waives notice of the acceptance of this Guaranty and of any demand for payment hereunder, presentment, demand, protest, dishonor, or default or notice thereof with respect to the above transaction.

The undersigned Guarantor agrees to be liable and pay for any deficiency if the note holder forecloses the mortgage securing the note pursuant to the terms of the Loan Documents and the proceeds received under a foreclosure proceeding, after deduction for expenses, are not sufficient to satisfy the indebtedness for the Borrower.

No extension of time or forbearance on the part of Lender, its successor or assignee, with respect to the mortgage or modification of the terms and provisions of the mortgage shall operate to release any of the Guarantor's obligations hereunder nor shall any delay on the part of the Lender, its successor or assignee, in exercising any of its options, powers or rights under the Loan Documents, or hereunder, or a partial or single exercise thereof constitute a waiver of any other rights hereunder.

This Guaranty shall be construed as an absolute, continuing and unlimited guaranty of payment without regard to the regularity, validity, or enforceability of any liability of any obligation of the Borrower hereby guaranteed; and Lender shall not be required to proceed first against the Borrower or any other person, firm or corporation or any collateral security held of Lender, its successor or assignee, before resorting to the Guarantor for payment. All remedies of Lender to be deemed cumulative and the availing of one remedy or another not to be deemed an election of remedy.

IN WITNESS WHEREOF, Guarantor has signed and delivered this Guaranty as of the date represented below.

Dated: ___________________ ____

Guarantor Signature

Guarantor Printed Name

State of ____________________

County of

On the ________________________ (date) before me, the undersigned, a Notary Public in and for said State, personally appeared _______________________________________ (Guarantor), personally known to me or proved to me on the basis of satisfactory evidence to be the Individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

____

Notary Public

Seal:

8.3 Condo Questionnaire (Limited Review)

Date: ______ Loan No. ______ Borrower(s) Name: ______

Project Name (Exact) ______ Phase Number: ______

Project Address: ______ County: ______

City: ______ State: ______ Zip: ______

Subject Property Address/Unit #: ______

A mortgage loan is being processed on the subject property listed above.
The following information is required to complete the process. Your timely response is appreciated.

Use this form when the following three conditions apply:

1) All units, common elements/amenities including Master Association, phases, and annexation/add-ons are 100% complete.
2) 90% sold and closed.
3) HOA control has been turned over to the unit owners.

Number of total units in project: ______ Unit is: ☐ Attached ☐ Detached

	Yes	No	
1.	☐	☐	If the subject unit is a **detached** unit, is the unit 100% complete?
2.	☐	☐	Is the project a timeshare or condo hotel, or is it managed or operated as a hotel, motel, or vacation resort, even though the units are individually owned?
3.	☐	☐	Are unit owners required to pay mandatory upfront and/or periodic membership fees for use of recreational amenities **not** owned by the HOA (i.e. owned by an outside party including developer/builder)?
4.	☐	☐	Are units in the project subject to private transfer fees other than those paid directly to the HOA or property manager? (Defined as transfer fee to be paid to an identified third party – such as the developer or its trustee – upon each resale of the property.)
5.	☐	☐	If a unit is taken over in foreclosure or deed-in-lieu of foreclosure, is the lender liable for more than 6 months of delinquent HOA Fees?
6.	☐	☐	Is more than 25% of the total square footage of the project used for nonresidential purposes (commercial space)?
7.	☐	☐	Does the project consist of live-work units? Is it a live work project? If yes, is it mostly residential in character and are the unit owners operates of the business? ☐ Yes ☐ No
8.	☐	☐	Are multi-dwelling units allowed (owner owns more than 1-unit secured by a single deed and single mortgage)
9.	☐	☐	Is the project subject to zoning restrictions that would prohibit the project from being re-built to current density?
10.	☐	☐	Does any single entity (individual, investor group, partnership, corporation, or government housing authority) own more than the following number of units in the project? (see below) If yes, check the appropriate project size and state how many they own: ▪ Projects with 2-4 units: > 1 unit: # owned? ______ ▪ Projects with 5-20 units: > 2 units: # owned? ______ ▪ Projects with > 20 units: > 10% of the total units: # owned? ______
11.	☐	☐	Is the Homeowners' Association currently involved in any litigation other than as the Plaintiff in a lawsuit against unit owners to collect unpaid common expense assessments, or as a "Necessary Defendant" in a mortgage foreclosure action against unit owners?
	☐	☐	

CONTACT AND SIGNATURE *(TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)*

Date: ____________________

Contact Name/Title: ____________________

HOA/Company Name: ____________________ **HOA Tax ID:** ____________________

Phone Number: ____________________ **Fax Number:** ____________________

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

____

Signature

8.4 Condo Questionnaire (Full Review)

Date: ____________ Loan No. ____________ Borrower(s) Name: ____________

Project Name (Exact) ____________ Phase Number: ____________

Project Address: ____________ County: ____________

City: ____________ State: ____________ Zip: ____________

Subject Property Address/Unit #: ____________

A mortgage loan is being processed on the subject property listed above.
The following information is required to complete the process. Your timely response is appreciated.

PROJECT PROFILE *(TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)*

1. Unit Sales The project consists of __________ total units Units are: ☐ Attached ☐ Detached ☐ Both

Subject Phase	#	If Project Completed	#	If Project Incomplete	#
# of Units		# of Phases		# of Planned Phases	
# of Units Completed		# of Units		# of Planned Units	
# of Units for Sale		# of Units for Sale		# of Units for Sale	
# of Units Sold		# of Units Sold		# of Units Sold	
# of Units Rented		# of Units Rented		# of Units Rented	
# of Owner Occupied Units		# of Owner Occupied Units		# of Owner Occupied Units	
# of 2nd Homes		# of 2nd Homes		# of 2nd Homes	

Yes No

☐ ☐ Is project (including all common areas) complete? If **No**, expected date of completion: ________ (mm/dd/yyyy)

☐ ☐ Is the project subject to further expansion? If **Yes**, # of additional units to be built: __________

☐ ☐ Has control of the HOA been turned over to the homeowners? If **Yes**, date: ____________ (mm/dd/yyyy)

2. ☐ ☐ Is project a conversion from a prior use (e.g. warehouse, rental apartments, office, etc.)

☐ ☐ If a conversion, is it a gut rehab (refers to the renovation of a property down to the shell of the structure, including the replacement of all HVAC and electrical components.
If **Yes**, provide the date the legal documents were recorded: ___________________ (mm/dd/yyyy)

☐ ☐ Is all rehabilitation work for the conversion complete?

☐ ☐ If **No**, and the project was legally created during the past 3 years, provide the architect's or engineer's report (or functional equivalent) that was originally obtained for the conversion
If **No**, what is incomplete? ____________

3. How are the land and units owned? ☐ Fee Simple ☐ Leasehold
If leased, the expiration of the leasehold agreement is: ______________ (mm/dd/yyyy)
If leased, provide recorded leasehold agreement

CONDOMINIUM ELIGIBILITY

	Yes	No	
4.	☐	☐	Does any single entity (individual, investor group, partnership, corporation, or government housing authority) own more than the following number of units in the Project? If **Yes**, select the appropriate project size and state how many they own: ☐ Projects with 2-4 units: > 1 unit: # owned? __________ ☐ Projects with 5-20 units: > 2 units: # owned? __________ ☐ Projects with > 20 units: > 10% of the total units: # owned? __________
5.	☐	☐	Are there any adverse environmental factors affecting the project as a whole or as individual unit?
6.	☐	☐	Can units be rented on a daily basis?
7.	☐	☐	Is the project a timeshare or condo hotel, or is it managed or operated as a hotel, motel, or vacation resort, even though the units are individually owned? Check boxes below if any of the project characteristics indicate the project is operating as a hotel or motel: ☐ Central telephone system ☐ Room service is offered ☐ Units that do not contain full-sized kitchen appliances ☐ Daily cleaning service is offered ☐ Advertising of rental rates ☐ Registration service ☐ Restrictions on interior decorating ☐ Offers franchise agreements ☐ Central key systems ☐ Located in a resort area (specific resort area) ☐ Project includes the work hotel or motel in its name ☐ Units are typically sold unfurnished ☐ Units can be leased on a daily or weekly basis ☐ Owner-occupancy density – the project may have few or even no owner-occupants ☐ Project is a conversion of a hotel or motel or other similar transient properties ☐ Units that are less than 400 square feet ☐ Interior doors that adjoin other units
8.	☐	☐	Is project subject to time-share ownership or mandatory rental pools or is an individual property owner's ability to utilize the property curtailed in any way?
9.	☐	☐	Is the project owned or operated as a continuing care facility?
10.	☐	☐	Does the project contain manufactured homes?
11.	☐	☐	Is the project an investment security?
12.	☐	☐	Does the project consist of property that is not real estate (e.g. houseboat, boat slip, etc.)?
13.	☐	☐	Do the CCRs or legal documents split ownership or curtail the borrower's ability to utilize the property?
14.	☐	☐	Does the project now contain, or does the HOA's legal documents allow "multi-dwelling units?" (Defined as a project that allows an owner to hold title to a single, legally established unit that has been subdivided into additional residential dwellings within that single legal unit.)
15.	☐	☐	Is the project subject to zoning restrictions that would prohibit the project from being re-built to current density?

16. ☐ ☐ Is the project a common interest apartment or a Co-op? (Defined as a project or building governed by several owners as tenants-in-common, or by an HOA in which individuals have an undivided interest in a residential apartment building and land, and have the right to exclusive occupancy of a specific apartment within that building.)

17. ☐ ☐ Is more than 25% of the total square footage of the project or the building used for non-residential purposes (commercial space)?

18. ☐ ☐ Does the project consist of live-work units?

19. ☐ ☐ Is it a live work project?

If **Yes**, is it mostly residential in character and are the unit owners operates of the business? ☐ Yes ☐ No

20. ☐ ☐ Is the HOA currently involved in any litigation other than as the Plaintiff in a lawsuit against unit owners to collect unpaid common expense assessments, or as a "Necessary Defendant" in a mortgage foreclosure action against unit owners?

- If **Yes**, provide the following information: The HOA is the : ☐ Plaintiff ☐ Defendant
- If Plaintiff, is the litigation related to construction defects? ☐ Yes ☐ No
- If No, what is the lawsuit about? ______________________________
- If Defendant, has the HOA's insurance company agreed to provide the defense?
- Is the amount claimed covered by the HOA's insurance?
- What is the dollar amount of damages claimed?

The contact information for the attorney or law firm representing the HOA is:
Name: ______________________________
Phone: ______________________________
Email: ______________________________

21. ☐ ☐ Is the HOA subject to a Master or Umbrella association? If yes: Name: ____________________

22. ☐ ☐ Are any units in the project subject to resale restrictions (e.g. age, income, or rent stabilization)?
If **Yes**, identify the restriction(s): ______________________________
If **Yes**, list the unit numbers: ______________________________
If **Yes**, provide a copy of the restrictive agreement (ie. Affordable Housing or Rent Stabilization Agreement, etc.)

23. ☐ ☐ Are there recreational facilities owned by the HOA?

FINANCIAL

Yes **No**

24. ☐ ☐ Are there any units 60 days or more delinquent? If **Yes**, provide the number of units: ____________

25. ☐ ☐ Are there any pending special assessments? If **Yes**, please explain: ____________________

26. ☐ ☐ Does the HOA have a reserve fund separate from the operating account?

If **Yes**, is it adequate to prevent deferred maintenance? Current amount in fund: $ ______________

Total income budgeted for the year: $ ____________ Total reserves budgeted for the year: $ ______________

27. ☐ ☐ Is the **lender** liable for delinquent common charges? If **Yes**, how many months? __________

28. ☐ ☐ Does the project have any non-incidental business operation owned or operated by the HOA? If yes, what percentage of the projects budgeted income comes from non-incidental business operations? _________%

29. ☐ ☐ Does the HOA own or operate any non-incidental business operations (e.g. a restaurant, health club, spa, golf course, tennis club, etc.)?
If yes, describe the type of business: ____________________

30. ☐ ☐ Are unit owners required to pay mandatory upfront and/or periodic membership fees for use of recreational amenities **not** owned by the HOA (i.e. owned by an outside party including developer/builder)?

31. ☐ ☐ Are units in the project subject to private transfer fees other than those paid directly to the HOA or property manager? (Defined as transfer fee to be paid to an identified third party – such as the developer or its trustee – upon each resale of the property.)

32. ☐ ☐ Does the HOA and its management company adhere to one or more of the following financial safeguards?
If **Yes**, check all that apply:

- ☐ Separate bank accounts are maintained for the Operating Account and Reserve Account
- ☐ Monthly bank statements are sent directly to the HOA
- ☐ At least two board members are required to sign checks written on the Reserve Account
- ☐ If a management company handles the HOA's finances, does it maintain separate records and bank accounts for each HOA that uses its services?
- ☐ If a management company handles the HOA's finances, does it have authority to draw checks on, or transfer funds from, the HOA's Reserve Account?

INSURANCE

33. Who is named insured on HOA's master insurance policy? ______________________________________

	Yes	**No**	
34.	☐	☐	Are common elements/limited common elements insured to 100% replacement cost? Coverage: $ ________________ Deductible: $ __________________ Expiration Date: ____________________
35.	☐	☐	Are units or common improvements located in a flood zone?
36.	☐	☐	If yes to question 35, is flood insurance in force? If no, skip to question 38.
37.	☐	☐	Does the flood insurance cover 100% replacement **OR** Is the coverage the maximum available per federal flood program?
38.	☐	☐	Is the HOA insured for general liability? If **Yes**, amount of coverage $ ________________
39.	☐	☐	Is the HOA insured for Fidelity/Crime insurance? If **Yes**, amount $ ________________
40.	☐	☐	Is the HOA additionally insuring the property manager under their Fidelity/Crime insurance ? Y/N

41. Minimum number of days required for written notification to be given to HOA or insurance trustee before any substantial changes to project coverage can be made or before project coverage can be cancelled: ___________ days

42.	☐	☐	Does the property insurance contain or include a co-insurance clause. If **Yes**, percentage of co-insurance is ___________%
43.	☐	☐	Is project professionally managed? If yes: Managing Agent: ____________________________________ Phone: ______________________________ Contact: ______________________________ Insurance Agent: ___________________________ Phone: ______________________________

CONTACT AND SIGNATURE *(TO BE COMPLETED BY HOA, MANAGING AGENT OR DEVELOPER)*

Date: ______________________

Contact Name/Title: ____

HOA/Company Name: ____ **HOA Tax ID:** ________________

Phone Number: ____ **Fax Number:** ____________________________

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

____

Signature

PHASING ADDENDUM FOR NEW CONSTRUCTION PROJECTS & NEW CONVERSIONS

Project Name: ______________________________

Project Address: ______________________________

City: ____________________ State: __________ Zip: __________

	# of Units					
Phase #	In the Phase	Conveyed	Under Contract	Owner Occupied	Non-Owner Occupied	Phase Complete
#1						
#2						
#3						
#4						
#5						
#6						
#7						
#8						
#9						
#10						
#11						
#12						
#13						
#14						
#15						
#16						
#17						
#18						
#19						
#20						
TOTALS						

By signing below I certify that, to the best of my knowledge, the information provided is true and correct. The undersigned further represents they are authorized by the Homeowners' Association Board of Directors and/or the Managing Agent to provide this information on behalf of the Association.

Contact Name: ______________________________ Date: ____________________

Signature: ______________________________ Title: ____________________

8.5 Investor Prepayment Penalty Reference Guide

State Specific Acquisition Guidance

Solve Mortgage will not purchase loans with prepayment penalties in the following states. All other loans with a prepayment penalty must be in compliance with applicable state law.

- Alaska, Kansas, Oregon, Maryland, Minnesota, New Mexico, North Dakota
- Illinois to individual borrowers. Permitted to legal entities when APR is =<8%
- New Jersey to individual borrowers. Permitted to legal entities.
- Ohio loan amount <$107,633
- Pennsylvania loan amount =<$301,022
- Washington ARM loans. Permitted on fixed rate loans.
- Oregon – requires state specific disclosure besides the Note and SI Rider.

Allowable Types of Prepayment Structure

Solve Mortgage will accept the following 1-to-5 year prepayment types as permitted by applicable laws and regulations on closed-end 1-to-4 unit business purpose investment properties. The LLPA will be the same for either the 6 month interest, step down prepay structure, or flat prepayment structure. Prepayment penalty must be contracted for in an appropriate Note and Security Instrument Rider.

- **6 months interest** on amount of prepayment above 20% of the original loan amount in any 12-month period.
- **Step Down Prepay Structure**- Step Down prepayment penalty charge % applies to curtailment or the entire outstanding loan amount during the prepay period. The charge applies to loans that payoff due to sale or refinance during the prepay period.
    - 5 Year Prepayment Penalty- 5/4/3/2/1 %
    - 4 Year Prepayment Penalty- 4/3/2/1 %
    - 3 Year Prepayment Penalty- 3/2/1 %
    - 2 Year Prepayment Penalty- 2/1 %
    - 1 Year Prepayment Penalty- 2 %
- **Flat Prepay Structure**- Flat prepayment penalty charge no greater than 5% and no less than 2% flat prepayment over the life of the prepay penalty term (i.e. 5/5/5/5/5, 4/4/4/4, 3/3/3) charged to curtailment or the entire outstanding loan amount during the prepay period. The charge applies to loans that payoff due to sale or refinance during the prepay period.
- **State Specific Restrictions**
    - Ohio (loan amount >=$107,633) – 5 year Prepayment Penalty. 1% or less of the original principal amount.
    - Michigan – 3 year Prepayment Penalty 1/1/1 % of amount of the prepayment.
    - Mississippi – 5 year maximum declining prepayment penalty structure is allowed.
    - Rhode Island – 1 year Prepayment Penalty. 2% of the balance due.

8.6 Foreign National

A Foreign National is a citizen of a country other than the United States who resides outside of the U.S., who has not become a naturalized U.S. Citizen.

Eligibility

- Foreign Nationals, as defined by U.S Citizenship and Immigration Services (USCIS), are eligible borrowers when the borrower resides from one of the following countries/continents:
  - Canada
  - Caribbean (Except Cuba)
  - China (Except Hong Kong)
  - Europe (Except Balkan Region)
  - Latin America (Except Nicaragua)
  - South America (Except Venezuela)
- Foreign Nationals from any other country not listed above or from any Country that is currently on the OFAC Sanctions list are ineligible.

Verification of Residency Status

- The following visa types are permitted as foreign nationals: B-1, B-2, H-2, H-3, I, J-1, J-2, L-1, O-2, P-1, and P-2. Visas must be valid through the note date. Copies of the borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record)
- A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer (when applicable for employment in the U.S.). If the visa will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).
- Borrowers unable to provide evidence of lawful residency status in the U.S. are ineligible for financing.
- If a non-U. S citizen is borrowing with a U.S. citizen, it does not eliminate visa or other foreign national documentation requirements. Co-borrowers in possession of spouse or family member visas may be considered on a case-by-case basis.
- Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa.
  Participating countries can be verified through the U.S. Department of State website at: https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html

Exclusionary List/OFAC/Diplomatic Immunity

- All parties involved on each transaction must be screened through any exclusionary list used by the originator. The originator should apply its exclusionary list policy to any loans originated under these guidelines.
- Parties to the transaction must also be cleared through OFAC's SND List (borrowers, sellers,

employers, banks, etc.). A search of the Specially Designated Nationals and Blocked Persons List may be completed via the U.S. Department of the Treasury website: https://sanctionssearch.ofac.treas.gov/

- Borrowers from OFAC sanctioned countries are ineligible. Access the link below for a list of sanctioned countries: https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx
- Individuals with diplomatic immunity are ineligible due to the inability to compel payment or seek judgment. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa and/or passport.

Cash Out

- Ineligible

Income Eligibility

- Foreign Nationals employed by US businesses and issued W2s may qualify under Full Doc product
- Foreign Nationals with at least 50% ownership in a US business may qualify under Full Doc and Alt Doc, Business Bank Statement products
- DSCR

Credit

Foreign National Borrowers without qualifying U.S. Credit (including borrowers without a valid Social Security Number and borrowers with or without an Individual Tax Identification Number) must provide evidence of three (3) active credit trade lines with a 2-year history from their country of origin. If a housing / mortgage trade line is provided - No derogatory mortgage history is permitted in the last 24 months. ANY combination of the following is acceptable to arrive at the trade line requirement. Satisfactory credit reference letters will assume a Foreign Credit distinction for locking and qualifying purposes.

- Trade lines evidenced via a U.S. credit report; AND/OR
- Trade lines evidenced via international credit report if a U.S. credit report cannot be produced or does not provide a sufficient number of trade lines; AND/OR
- Minimum 3 active credit trade lines evidenced via credit reference letter and supporting transaction history from county of origin.
    - Trade lines evidenced via credit reference letters from verified financial institutions (including those where savings/checking accounts are maintained) in the borrower’s country of origin if a U.S. credit report and/or international credit report is not available, or the combination of the credit reports does not provide a sufficient number of trade lines.
    - A minimum of 1 reference letter must be from an internationally known financial institution.
    - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 24-month payment history.
    - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.

- The letter must mention the borrower by name.
- Name, title & contact information of the person signing the letter must be included.
- Currency must be converted to U.S. Dollars and signed and dated by certified translator.

Credit report and reference letters must be dated within 60 days of the date of the loan documents; if more than 60 days, a new credit report must be obtained, or updated reference letters provided. Credit report and any reference letters must be translated by a 3rd party with confirmation in file

A two (2) year housing history is required.

Assets

- Foreign National borrowers must have twelve (12) months PITIA reserves plus two (2) months for each additional property.
- All funds for down payment, closing costs and reserves must be sourced and seasoned for 60-days and must be in a US account for 30 days.
- Foreign bank accounts must be verified in U.S. Dollar equivalency at the current exchange rate via either https://www.xe.com/ or https://www.wsj.com/market-data/currencies/exchangerates conversion tables. The exchange conversion web print-out must be documented in the loan file.
- The foreign bank must be a publicly traded internationally known financial institution. A search may be conducted via a web site such as https://finance.yahoo.com/. The web print-out must be documented in the loan file.

Gift Funds

- Ineligible

Maximum Loan Exposure to One Borrower

- The maximum loan exposure to one Foreign National borrower is limited to two (2) Solve Mortgage loans.

Occupancy

- All Foreign National loans are considered investment properties.

Vesting

- Vesting in a Business Entity or Trust is not permitted.

POAs

- Ineligible

Version History

Version	Revision Date	Section(s) Reviewed	Reviewed By	Approved By
1.0	01.17.2023	All	Daune Seebaum, Amanda Roccia	Credit Committee
2.0	2.13.2023	All	Daune Seebaum, Amanda Roccia	Credit Committee
3.0	03.17.2023	2.2, 2.3, 2.4, 3.3, 3.4, 4.1.4, 5.1, 5.2, 5.2.1, 5.2.3, 6.2, 6.3, 6.11, 6.12, 8.4	Daune Seebaum, Ranju Rahil & Amanda Roccia	Credit Committee
4.0	5.08.2023	2.3, 3.1, 3.2, 3.3, 5.2, 5.2.2, 6.3, 6.5, 6.11, 6.12	Daune Seebaum, Amanda Roccia	Credit Committee
5.0	07.28.2023	2.1, 2.2, 3.3, 4.1.1, 4.1.3, 5.1, 6.2, 6.3, 6.9, 6.10.1, 6.11, 6.12, 8.0	Daune Seebaum, Amanda Roccia	Credit Committee