SERIES B NON-QM GUIDELINES

9-11-2024

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INTRODUCTION

This Guide offers programs for loans with features beyond the criteria established for Qualified Mortgages offered exclusively by Priority Financial Network, dba Solve Mortgage.

This Guide establishes the minimum credit eligibility requirements, subject borrower collateral requirements, documentation, and other considerations for SOLVE and Affiliates to underwrite, close, and fund(“originate”) a mortgage loan under this program.

APPROVAL

The SOLVE Non-QM Product is a proprietary lending product. SOLVE may suspend the origination of this product at any time without prior notice. Participation is a voluntary origination activity. SOLVE reserves the right to change the product and this guide without prior notice.

All loan files are subject to this guide, overseen and approved by the SOLVE Executive Management team and the SOLVE Chief Credit Officer.

SOLVE reserves the right to decline any file or approve loans outside of stated guidelines without prior notice.

Origination activity must comply with all Federal, State, Local, and SOLVE rules, regulations, and guidelines.

GUIDELINE RELIANCE

These guidelines note proper direction and acceptance. Guidance not explicitly indicated in this document should rely on Fannie Mae and Appendix Q guidelines. Any other discrepancy is at the complete discretion of SOLVE.

QUALIFYING RATES, AMORTIZATION, AND TERM INDEX CAPS*

Product	Qualifying Rate	Term	I/O	Amort Term	Index	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480*	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480*	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED I/O	Note Rate	480*	120	360	NA	NA

*The ARM margin is posted on the rate sheet for each program.

*The ARM floor is equal to the margin.

In all cases, the qualifying payment is based on the amortization term.

For interest-only loans, this is the remaining term after the expiration of the interest-only period.

INTERESTED PARTY CONTRIBUTIONS (ORIGINATOR CONCESSIONS)

Owner Occupied: Maximum contribution:

- 6% for LTVs ≤ 80%
- 4% for LTV > 80%

Non-Owner Occupied

- May not exceed 3%

All Interested Party Contributions must be appropriately disclosed in the sales contract, appraisal, loan estimate, and closing disclosure and comply with applicable federal, state, and local law.

Interested party contributions include funds credited by the property Originator, builder, real estate agent/broker, mortgage lender, their affiliates, or any other party with interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions). They may never be applied to any down payment portion or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, the appraised value and sales price must be reduced by the concession amount exceeding the above limits.

ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts must be established for all loans purchased by SOLVE with Loan-to-Values greater than 80% or any Section 35 HPML. Escrows may be established for funds collected by the Originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, water/sewer taxes, and ground rents.

SECONDARY FINANCING

Secondary financing must be institutional. Properly licensed production staff must employ reasonable underwriting policies and procedures to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum line amount unless the borrower can provide documentation showing the line of credit is past its draw period.

BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended purpose of the subject property ("Primary Residence,""Second Home," or "Investment") by completing and signing the appropriate sections of the "Occupancy Certification" found in the Occupancy Certification of this guide.

Underwriters must address any red flags indicating that the property is not intended exclusively for investment purposes. Common occupancy red flags include:

- The subject property value exceeds the value of the borrower's primary residence
- The borrower is currently renting their primary residence

- The subject property could reasonably function as a second home

BORROWER STATEMENT OF BUSINESS PURPOSE - INVESTMENT PROPERTIES

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 form in this guide.

Any loan where the proceeds are used primarily for personal, family, or household purposes is considered a consumer transaction and is not eligible for the DSCR program. This includes cash-out on an investment property when loan proceeds are used for personal use.

BORROWER CONTACT CONSENT FORM

Properly licensed production staff must provide SOLVE with accurate borrower contact information. Their preferred contact method is by email, mobile phone, and text for many borrowers. These forms of communication require special authorization from the borrower.

Properly licensed production staff should incorporate the SOLVE Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to SOLVE.

ABILITY TO REPAY/ QUALIFIED MORTGAGE RULE

All loans subject to Regulation Z must meet the Ability-to-Repay (ATR) Rule, whether under the Non-QM ATR requirements (12 C.F.R. 1026.43(c)) or QM Safe Harbor/Rebuttable Presumption (12 C.F.R. 1026.43(e)). In some cases, loans qualifying under the Investor Solution Program may be considered subject to Regulation Z and are thus required to comply with the ATR Rule. For example, a cash-out refinance on an investment property using the proceeds to pay off consumer debt would be subject to Regulation Z.

Under the general ATR standard, Creditors must make a reasonable, good-faith determination before or when consummating a mortgage loan that the consumer has a reasonable ability to repay the loan. A reasonable, good-faith ATR evaluation using reliable third-party records must include the following eight ATR underwriting factors:

- Income or assets used to repay the loan
- Employment status
- The monthly mortgage payment on the subject loan (fully indexed, fully amortizing)
- Monthly payments for any simultaneous loans secured by the subject property
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents
- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations
- Monthly DTI or residual income
- Credit history

PREPAYMENT PENALTY - *INVESTMENT PROPERTIES ONLY*

Where permitted by applicable laws and regulations on investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the note.

THE FOLLOWING PREPAYMENT STRUCTURES MAY BE USED:

- Six months of interest - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12- month time period.
- 3%, 4%, or 5% fixed percentage - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.
- Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) - The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

See SOLVE Product Matrix for further detail. The prepayment penalty can be disclosed within the Note's body or in a separate rider.

PREPAYMENT PENALTY STATE RESTRICTIONS

The following state restrictions apply:

- Prepayment penalties are prohibited in AK, KS, MI, MN, NM, OH, and RI.
- Prepayment penalties are not permitted on loans vested to individuals in IL and NJ.
- Prepayment penalties are not permitted on loan amounts less than $260,404 in PA.
- Only declining prepayment penalty structures are permitted in MS.

ALTERNATIVE LOAN REVIEW/AUS - OWNER-OCCUPIED PROPERTIES

The file must include one of the following as evidence that the borrower is not eligible for financing througha GSE or Government loan program on Standard (Full) income documentation loans:

- An AUS Findings with a “Refer” or “Approve/Ineligible” response or
- A completed Alternative Loan Review Form may be provided to verify GSE or Government program ineligibility.

LOAN DOCUMENTATION

The current version of the Uniform Residential Loan Application (URLA) should be used. The revised URLA is mandatory for loan applications on or after March 1, 2021.

SOLVE will provide all security instruments, notes, riders/addenda, and special-purpose documents for owner-occupied or investment property loan documentation.

For business-purpose loans (Investment Property Only), SOLVE offers a business-purpose document set consisting of a note, Personal Guarantee, and Prepayment Rider.

INTEREST CREDIT

Loans closed within the first five (5) days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

- Fixed-rate notes are not assumable.
- Adjustable-Rate Notes might be assumable depending on the note. In general, Fannie Mae Notes contain an assumable clause. In any case, the wording of the Note and Closing Disclosure must match.

EXCEPTIONS

Exceptions to published guidelines are considered on a case-by-case basis. Loans with an exception request should demonstrate strong compensating factors. The Originator must submit all exception requests to SOLVE by completing the required information on the Exception Request screen in SOLVERates. SOLVE's decision to grant or deny any exception request resides entirely with SOLVE. The result does not bind an Originator in deciding to extend credit.

PROPERTY INSURANCE

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damage caused by aircraft, vehicles, or explosions. The coverage must provide for claims to be settled on a replacement cost basis.

Policies that limit or exclude coverage (in whole or part) of windstorms, hurricanes, hail damage, or other perils generally included under an extended coverage endorsement are unacceptable. Borrowers may not obtain property insurance policies with such limitations or exclusions unless they can obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels leased from or owned by a third party under a power purchase agreement or other similar arrangements.

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer
  - Provide explicit evidence of guaranteed replacement cost coverage, or
  - Provide a replacement cost estimator to evidence adequate dwelling coverage

- The unpaid principal balance of the mortgage is at least 80% of the insurable value of the improvements on a replacement cost basis.

If it does not, coverage providing the minimum required amount must be obtained.

APPRAISALS

SOLVE reserves the right to review all valuation reports and determine if the subject property value is supported.

All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisers must meet all industry standards and be State Certified. State Licensed Appraisers and Trainees are not permitted. Appraisal assignments must be obtained to maintain appraiser independence and not unduly influence the appraiser to meet predetermined values. SOLVE reserves the right to restrict the use of any specific appraiser or appraisal management company at its discretion.

Properly licensed production staff are responsible for reviewing the appraisal report for accuracy, completeness, and assessment of the marketability of the subject property. The Originator needs to determine that the subject property provides acceptable collateral for the loan.

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. The selection of a comparable outside the subject neighborhood should be addressed within the report. At least one comparable should be from outside the subject project for condominiums. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires the use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report - Fannie Mae/Freddie Mac Forms 1004/70
- Small Residential Income Property Report - Fannie Mae/Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report - Fannie Mae/Freddie Mac Forms 1073/465
- Appraisal Update or Completion Report - Fannie Mae/Freddie Mac Forms 1004D/442
- Single-Family Comparable Rent Schedule - Fannie Mae/Freddie Mac Forms 1007/1000

Properly licensed production staff must order appraisals using one of two processes. The appraisal must either be ordered through your designated SOLVE Appraisal Management Company (AMC) that complies with Appraiser Independence Requirements (AIR). The licensed appraiser must perform an interior inspection when completing the appraisal report.

The appraisal should be dated 120 days before the Note date. After 120 days, recertification of value (1004D) is required. The recertification of value (1004D) is only good for 120 days. The original appraisal should be no more than 12 months old with recertification(s) of value (1004D). If the value has declined, a brand-new appraisal will be required.

Not eligible for SOLVE purchase: Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. SOLVE will consider a purchase if the issue has been corrected before providing loan funding and proper documentation.

SECOND APPRAISAL

A second appraisal is required when any of the following conditions exist:

- The loan amount exceeds $2,000,000.
- The transaction is a flip, as defined in the Property Flipping section of this guide.
- As required under the Appraisal Review Products section of this guide.
- At the discretion of SOLVE Chief Credit Officer.

When a second appraisal is provided, the transaction’s “Appraised Value” will be the lowest of the two appraisals.

The second appraisal must be from a different company and appraiser than the first.

NEIGHBORHOOD ANALYSIS

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible -e.g., the proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

EXISTING CONSTRUCTION

Suppose the appraiser reports minor conditions or deferred maintenance items that do not affect the property's safety, soundness, or structural integrity. These items must be reflected in the appraiser’s opinion of value. In that case, the appraiser may complete the appraisal “as is.”

When some incomplete items or conditions affect the property's safety, soundness, or structural integrity, the property must be appraised subject to the completion of the specific alterations or repairs.

These items can include a partially completed addition or renovation or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, the originator must obtain a certificate of completion from the appraiser before the mortgage is closed.

SUBJECT SECTION

The appraiser must research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12 months before the effective date of the appraisal. If the answer is‘No,’ the data source(s) used must be provided. If the answer is ‘Yes,’ the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s)
- Offering date(s)
- Data source(s) used

- For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

ACTUAL AND EFFECTIVE AGES

Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property with an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Originator should pay particular attention to the subject property's condition in its review of any appraisal report. When the appraiser adjusts for the "Year Built," they must explain those adjustments.

ACCESSORY UNITS

SOLVE will purchase a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the property's characteristics, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property.
- There is only one accessory unit on the property; multiple accessory units are not permitted.
- The appraisal report demonstrates that the improvements are typical for the market by analyzing at least one comparable property with the same use.
- The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
- For Properties located in California, if zoning (Current or grandfathered) permits an accessory unit, the rental income may be included, subject to the following:
    - Appraisal reflects the accessory is legal, and the appraisal report includes at least one comp with an accessory unit.
    - Purchase – The market rent for the accessory unit should be documented on FNMA Form 1007.
    - Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007, and the file must include a copy of a current lease with two (2) months' proof of current receipt.
    - Income from Multiple ADUs is not allowed. An exception will be granted on a case-by-case basis only.

OUTBUILDINGS

Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form. Using comparable sales with similar amenities, the appraiser must demonstrate that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.

Minimal outbuildings, such as small barns or stables that have relatively insignificant value in relation to the total appraised value of the subject property, the appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.

A minimal atypical building is where the property is acceptable, provided the appraiser’s analysis reflects little or no contributory value for it.

Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals may indicate that the property is agricultural; SOLVE will approve on a case-by-case basis.

TRANSFER OF APPRAISAL

At SOLVE’s discretion, transferred appraisals from another lender may be acceptable if accompanied by a copy of the Appraisal Independence Requirements (AIR) Lender Acknowledgement issued by the lender who ordered the appraisal or copy of email from the lender to the borrower documenting that the appraisal was delivered within 3 days of completion and appraisal must contain an AIR certificate.

APPRAISAL REVIEWS PRODUCTS

Unless a second appraisal is obtained, an appraisal review product is required on every loan file. All files need a CU score and an enhanced desk review product from one of the following choices:

- CDA from Clear Capital
- A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.

If the enhanced desk review product (ARR, CDA, or ARA) reflects a value more than 10% below the appraised value or cannot provide validation, the next option would be either a field review or a second appraisal. These must be from a different appraisal company and appraiser than the original appraisal.

MINIMUM SQUARE FOOTAGE

- No minimum square footage; however, the appraiser must provide one similar comparable to the subject property within the immediate area and comment that the property size is typical for the area.

PROPERTY REQUIREMENTS

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contains a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- It does not contain any health or safety issues.

Any personal property transferred with a real property sale must have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value to calculate the LTV/CLTV.

ESCROW HOLDBACKS ARE NOT ALLOWED

Any repair or maintenance required by the appraiser must be completed before loan purchase. SOLVE will not fund any loan with an escrow hold back.

DECLINING MARKET

If the property values trend is downward, a "Declining Market" exists. This requires a 5% LTV reduction from the regular LTV matrix for LTVs greater than 70%.

ELIGIBLE PROPERTY TYPES

- Single Family Detached
- Single Family Attached
- 2-4 Unit properties
- Fannie Mae warrantable condos
- Modular homes
- Properties of 20 acres or less. However, exceptions may be required when properties are identified as "Rural."
- Leaseholds (in areas where leaseholds are common)
- Rural Properties
  - Primary and Second Home Only
  - Purchase and Rate&Term Refinances Only
  - Max LTV/CLTV 75%
  - Full or Alt Doc only. DSCR not allowed.
  - Subtract 5% LTV/CLTV from the respective program matrix for Rural (Second Home Only)
- Cooperatives (CO-OPs)

INELIGIBLE PROPERTY TYPES

- Mixed-Use properties
- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Agricultural properties (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Condo-hotels timeshare hotels
- Projects that include registration services and offer rentals of units on a daily, weekly, or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2

- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Rural properties are not allowed on Investment Transactions
    - A property is classified as rural if:
        - The appraiser indicates in the neighborhood section of the report a rural location; or
        - Any two (2) of the following conditions exist:
            - The property is located on a gravel road

              Two of the three comparable properties are more than 5 miles from the subject property

ACREAGE LIMITATIONS

- A maximum of 20 acres
- No truncating allowed

PROPERTY FLIPPING

A property is considered a "flip" if either of the following is true:

- The price in the borrower's purchase agreement exceeds the property Originator's acquisition price by more than 10% if the property Originator acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement, or
- The price in the borrower's purchase agreement exceeds the property Originator's acquisition price by more than 20% if the property Originator acquired the property 91-180 days prior to the date of the borrower's purchase agreement.

If the property is a "flip" as defined above, the following additional requirements apply:

A SECOND APPRAISAL MUST BE OBTAINED

- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- The second appraisal must be dated prior to the loan consummation/note date.
- The property Originator on the purchase contract must be the owner of record.
- Increases in value should be documented with commentary from the appraiser and recentc comparable sales.
- If applicable, sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided.

TITLE VESTING AND OWNERSHIP

Ownership must be fee simple title.

The title must be in the borrower's name (Owner-occupied property) at the time of application for refinance transactions.

ELIGIBLE FORMS OF VESTING

- Individuals
- Joint Tenants
- Tenants in Common
- Inter vivos revocable trust

INELIGIBLE FORMS OF VESTING

- Land trusts
- IRAs
- Blind trusts

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

THE TRUSTEE MUST INCLUDE EITHER

- The individual establishing the trust (or at least one of the individuals, if two (2) or more) or
- An institutional trustee that customarily performs trust functions in and is authorized to act astrustee under the laws of, the applicable state.

The trustee must have the power to hold the title, and mortgage the property. This must be specified inthe trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

THE FOLLOWING TRUST DOCUMENTATION IS REQUIRED

- If the trust was created under California law, a fully executed Certificate of Trust under Section18100.5 of the California Probate Code.
- If the trust was created under the laws of a state other than California:
    - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying allthe following:
        - The trust is revocable.
        - The borrower is the settler of the trust and the beneficiary of the trust.
        - The trust assets may be used as collateral for a loan.
        - The trustee is:
            - Duly qualified under applicable law to serve as trustee
            - The borrower
            - The settler
            - Fully authorized under the trust documents and applicable law to pledge, orotherwise encumber the trust assets

REQUIREMENTS TO VEST INTO AN ENTITY. (LLC, LP, OR CORP)

Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an "Entity") can be used for vesting in accordance with the requirements listed below:

- Restricted to investment properties only.
- Purpose and activities are limited to ownership and management of the real property.
- The entity must be domiciled in a US State.
- Any business structure is limited to four (4) owners or members.
- All members of the entity must provide personal guarantees.
- Each Entity member providing a personal guaranty must complete a Form 1003 or similar loan application indicating clearly that such document is being provided in the capacity of a guarantor. The application of each member providing a personal guaranty and their credit score and creditworthiness will also be used to determine qualification and pricing.
- Mortgage Loan Officers shall NOT suggest or encourage the formation of an Entity to obtain a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.
- Each entity member must receive notice of the loan and its terms before closing.
- Layering of entities is NOT Allowed.

FOLLOWING ENTITY DOCUMENTATION MUST BE PROVIDED

- *Limited Liability Company*
  - Entity Articles of Organization, Partnership, and Operating Agreements, if any
  - 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 - Single Member OR
    - LLC Borrowing Certificate - Multiple Member
- *Corporation*
  - Filed Certificate/Articles of Incorporation (and all amendments)
  - By-Laws (and all amendments)
  - Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is incorporated)
  - Tax Identification Number (EIN)
  - Borrowing Resolution/Corporate Resolution granting authority of signer 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 SOS where the partnership is registered)
  - Tax Identification Number (EIN)
  - Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual by all members of the Entity:
  - Loan Application (Fannie Mae Form 1003)
  - Completed for each member of the Entity.
    - The "Title will be held in what Name(s)" section should be completed with only the LLC name.
    - Signed by Individuals
- Personal Guaranty

- Each individual is providing a personal guaranty.
- The guaranty should be executed at loan closing and dated the same date as the Note.
- Spousal Consent to Pledge (Required for all loan amounts of $1,000,000 or greater)
- Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI)must be accompanied by a Spousal Consent to Pledge. See Spousal Consent Form.

- Signed by the authorized signer for the entity:
  - Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

Authorized Signatory may be replaced by a different title specified in the Member Consent (e.g. - Managing Member, Member, etc.).

LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Originator's title policy.

The Originator must provide documentation, and leaseholds must meet all Fannie Mae eligibility requirements (i.e., term of the lease).

TITLE POLICY REQUIREMENTS

Each loan delivered to SOLVE must include a title insurance policy. If the file contains the Commitment for Title Insurance, it must indicate that the policy will be issued upon payment of the premium. By delivering a mortgage loan to SOLVE, the Originator represents and warrants that the loan is covered by the required title policy, issued by a licensed insurer, and includes any required endorsements. The title insurer and policy must conform to Fannie Mae's requirements.

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on fee simple or leasehold estate in the property. The title policy must also list all other liens and reflect that they are subordinate. The policy must be written in one of the following forms:

- The 2006 American Land Title Association (ALTA) standard form.
- An ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form.
- In states in which standard ATLA forms of coverage are not used, by law or regulation, the state-promulgated standard or short form provides the same coverage as the equivalent ALTA form.
- For Adjustable Rate Mortgages, the policy must include ALTA Endorsement 6-06.
- Texas Section 50(a)(6) - Requires a Mortgagee Policy of Title Insurance (Form T-2), supplemented by an Equity Loan Mortgage Endorsement (Form T-42), including the optional coverage provided by Paragraph 2(f) and a Supplemental Coverage Equity Loan Mortgage Endorsement (Form T-42.1).

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms protect the time between loan closing and recordation ofthe mortgage, policies written on those forms may be effective as of loan closing.

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection of SOLVE. The requisite protections may be incorporated into the policy as an alternative to endorsements.

Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

All files must contain a 24-month title history. Transfer date, price, buyer and Originator names should be provided for any transfers within the past 24 months.

The title insurance policy for a condominium or PUD unit mortgage must describe all components ofthe unit estate.

For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.

If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately (or holds them in a leasehold estate), the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect SOLVE and an end investor by ensuring:

- The mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)
- Against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- The unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)
- The mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- The real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements rather than against the project as a whole.
- The owner of a PUD unit is a member of the homeowners' association, and the membership is transferable if the unit is sold.

SOLVE will not approve a mortgage secured by property with an unacceptable title impediment, particularly unpaid real estate taxes, and survey exceptions.

If surveys are not commonly required in particular jurisdictions, the Originator must provide an ALTA 9 Endorsement. If it is not customary to supply either the survey or an endorsement in a particular area, the title policy must not have a survey exception.

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which SOLVE considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.
- Mutual easement agreements that establish joint driveways or party walls constructed on the security property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Restrictive covenants and conditions, and cost, minimum dwelling size, or set back restrictions, as long as their violation will not result in a forfeiture or reversion of title or a lien of any kind for damages or have an adverse effect on the fair market value of the property.
- Encroachments of one (1) foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a 10-foot clearance between the buildings on the security property and the property line affected by the encroachment.
- Encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences.
- Outstanding oil, water, or mineral rights that are customarily waived by other Properly licensed production staff, as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.
- Variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range. (For front property lines, a 2% variation is acceptable; for all other property lines, 5% is acceptable.)
- Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. (No rights of parties in possession, including the term of a tenant's lease, may have a duration of more than two years.)
- Minor discrepancies in the description of the area, as long as the Originator provides a survey and affirmative title insurance against all loss or damage resulting from the discrepancies.

TEXAS PROPERTIES

TEXAS PURCHASE TRANSACTIONS

Properly licensed production staff are eligible to originate purchase transaction loans that meet standard eligibility criteria set by SOLVE.

TEXAS RATE & TERM TRANSACTIONS

This is defined as the borrower does not receive cash-in-hand at closing. All properly licensed production staff are eligible to originate transactions to SOLVE provided the loan meets standard eligibility criteria, all the necessary disclosures are provided to the borrower(s), existing loans meet the seasoning requirements, and rescission time periods are followed per the Texas Constitution.

TEXAS HOME EQUITY LOAN – 50(A)(6) GENERAL REQUIREMENTS

A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in theTexas Constitution. Properly licensed production staff should not rely on SOLVE categorization of refinance loans to determine whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. Properly licensed production staff should consult with counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted before the origination of the Texas Section 50(a)(6) mortgages in connection with the development and implementation of the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages. SOLVE will refer all Texas loans to approved legalcounsel for eligibility under Texas statutes and retain a list of approved counsel.

All Texas loans must be approved before loans closing and funding. No exceptions to legal review will be granted.

All Texas Section 50(a)(6) mortgages were (or will be) originated according to written processes and procedures that comply with the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, as periodically amended.

SOLVE has a specific process for the receipt, handling, and monitoring of notices from borrowers that failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages.

TEXAS HOME EQUITY LOAN – 50(A)(6) PRODUCTS

- 30-year Fixed
- 5/6 ARM
- 7/6 ARM
- Interest-Only is not allowed.
- Standard Documentation and Alt Doc are allowed
- Maximum LTV/CLTV is 80%
- Single-unit properties only
- Primary residences only

OCCUPANCY

- All borrowers must be on title
- All borrowers must occupy the subject property as their primary residence.

BORROWERS

The following borrowers are permitted on Texas Home Equity loans. All borrowers must maintain primary occupancy in the subject property:

- US Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- Inter Vivos Revocable Trust (must meet SOLVE and Texas Constitution section

50(a)(6)requirements) The following borrowers are not allowed:

- Co-signer(s)

NON-BORROWING SPOUSE

An owner-in-title (whether a spouse or individual) must sign the application and Texas Home Equity Notice at the time of application, along with all appropriate documentation.

A married borrower may not create a lien against the property unless their spouse consents to the lien by signing the following:

- Notice Concerning Extension of Credit
- Security Instrument (including any Riders)
- Federal Truth-in-Lending (TIL) Disclosure Statement
- Right of Rescission Notice
- Discount Point Disclosure
- Acknowledgment of Fair Market Value
- Premium Pricing Disclosure
- All owners must sign the application and the Notice Concerning Equity Loan Extension of Credit. The signing of both documents starts the 12-day cooling-off period.
- Notice of Presentment of Closing Disclosure one (1) day before closing
- Texas Home Equity Affidavit and Agreement
- Owner's Affidavit of Compliance
- Receipt of Copies of Documents
- Certificate of Non-Cancellation of Loan.

12-DAY COOLING OFF PERIOD

The loan may not be closed until at least 12 calendar days after the later of the date the borrower signed the initial application or the date the Notice Concerning Equity Loan Extension of Credit had been provided.

PAYOFF OF DEBT

The originator may require the payoff of the existing first lien as part of the loan approval when the following requirements are met:

- The originator may not require any other Originator-owned debt be paid off as part of the transaction as a condition of loan approval.
- If the payoff of debts to other Properly licensed production staff/creditors is required to qualify the borrower, then those payoffs must be shown on the settlement statement and disbursed directly to the creditor by the title company.
- Funds for debts elected to be paid off by the borrower but not required to qualify the borrower may be disbursed directly to the borrower.

SECONDARY FINANCING New subordinate financing is not allowed, but existing subordinate financing may remain. Existing subordinate financing is subject to the following:

- The second lien must be re-subordinated.
- Maximum 80% CLTV.
- The second lien may not be a HELOC or a reverse mortgage.

PROPERTY CHARACTERISTICS

All properties must be residential. Farms, ranches, or any properties used for agricultural purposes are not allowed.

Tax certification and exemptions for the property are to be reviewed and must meet the following requirements:

- The property must be the borrower's principal residence, defined as a homestead in the state of Texas.
- All separate structures must be included in the homestead exemption.
- Only the parcel designated as the homestead parcel may secure the loan (the property might have to be surveyed before the appraisal being ordered).
- The homestead parcel must include ingress/egress to a properly-identified public road as identified on the county appraisal district records.
- The homestead parcel may only secure the new lien, and the market value for LTV calculation can only be assessed on that parcel.

URBAN AND RURAL HOMESTEAD

The definition of a Texas Homestead should be used. The maximum acreage requirements for SOLVE programs apply.

CLOSING REQUIREMENTS FOR TEXAS PROPERTIES

ATTORNEY REVIEW

Currently approved law firms (other attorneys may be acceptable when approved in advance by SOLVE):

- Black, Mann & Graham, LLP
- Sandler Law Group

CLOSING DISCLOSURE AND FINAL LOAN APPLICATION

The final Closing Disclosure (CD) and a copy of the final loan application must be delivered to/accepted by the borrower(s) during regular business hours. The Originator is responsible for ensuring all timing requirements under Regulation Z, and state law are followed.

The borrower(s) must sign the Acknowledgment of Itemization of Fees, Points, Interest, Costs, and charges for Texas Home Equity Loan or Line of Credit to evidence their receipt of the final CD and loan application at least one day before closing.

POINTS AND FEES

Borrower-paid fees are limited to 5% of the principal balance (including the origination fee). The following are not included in the 5% limitation:

- Appraisal performed by a third-party appraiser.
- The survey by a state registered or licensed surveyor.
- Title Insurance premiums with endorsements or title examination report.
- Discount points are used to reduce the interest rate.

If the borrower(s) is paying discount points, the borrower(s), owner(s)-in-title and spouse must execute the Texas Home Equity Discount Point Acknowledgment. Only fees that are allowed by State Law and RESPA/ECOA regulatory guidelines can be charged to the borrower(s) and MUST be accurate and reflected on the Loan Estimate (LE) and the Closing Disclosure (CD).

POWER OF ATTORNEY

Power of Attorney is not allowed.

SURVEY

Surveys are required on all Texas Home Equity transactions to ensure the following:

- Accurate parcel size within the permissible acreage.
- The homestead property and any adjacent land are separate.
- The homestead property is a separately platted and subdivided lot for which full ingress andegress are available.
- Municipal utilities serve the property, and fire and police protection.

TITLE

A title insurance policy written on Texas Land Title Association forms (standard or short), including the T42 and T42.1 endorsement, is required.

For self-employed borrowers operating a business from the homestead property, the title company must issue a T42.1 endorsement without exception or deletion.

The title may ***not*** include language that:

- Excludes coverage for a title defect resulting from the determination that financed origination expenses are not “reasonable costs necessary to refinance.”
- Defines the “reasonable costs necessary to refinance” requirement as a “consumer credit protection” law, since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.

Loans must be closed in a Texas title company’s office or attorney’s office. Mobile notaries are not permitted.

TEXAS 50(A)(6) HOME EQUITY DOCUMENTS

The following Texas Home Equity specific documents must be included in the credit file:

- Notice Concerning Extension of Credit Defined by Section 50(a)(6) (signed by each owner of the property and each spouse of an owner)
- Acknowledgment of Fair Market Value of Homestead Property (borrower and Originator must sign at closing with an appraisal attached to the Acknowledgment)
- Notice of Right to Cancel (signed by each owner of the property and each spouse of an owner)
- Texas Home Equity Security Instrument (Fannie Mae Form 3044.1)
- Texas Home Equity Note Fixed-Rate (Fannie Mae Form 3244.1), if applicable
- Texas Home Equity Fixed/Adjustable Rate Note (Fannie Mae Form 3528.44), if applicable
- Texas Home Equity Fixed/Adjustable Rate Rider (Fannie Mae Form 3187.44), if applicable
- Texas Home Equity Affidavit and Agreement (Fannie Mae Form 3185)
- Texas Home Equity Condominium Rider (Fannie Mae Form 3140.44), if applicable
- Texas Home Equity Planned Urban Development (PUD) Rider, (Fannie Mae Form 3150.44), ifapplicable
- Texas Home Equity Certificate from Originating Originator Regarding Compliance with Section50(a)(6), Article XVI of the Texas Constitution, signed by the Originator’s attorney
- Texas Home Equity Discount Point Acknowledgment, if applicable
- Affidavit of Non-Homestead for all other dwellings, if the borrower owns more than one
- Detailed closing instruction letter acknowledged by the title company (Compliance Requirements for Texas Home Equity Loans)
- The Note for any re-subordinating second (cannot be an (a)(6) Note, a new loan, or a HELOC) with subordination agreement, if applicable

REFINANCE OF AN EXISTING TEXAS SECTION 50(A)(6) LOAN (LIMITED ELIGIBILITY)

A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. A Non-Texas Section 50(a)(6) loan is eligible for purchase provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution, including:

- The refinanced loan is created at least a year after the initial Texas Equity 50(a)(6) loan was closed.
- The loan amount only covers the actual cost of the refinancing and does not provide the borrower with additional funds.
- The LTV/CLTV does not exceed 80% of the fair market value.
- The Originator provides the borrower with the required refinance disclosure within three (3)business days of application and 12 or more days before the loan is closed.
- An affidavit executed by the borrower acknowledging that the requirements of Subsection (f)(2)of Article XVI of the Texas Constitution have been met.

DOCUMENTATION AGE

Unless otherwise stated in this guide, all credit documents, including the credit report, income docs, and asset statements, must be dated no more than ninety (90) days before the note date. The note is date is utilized for document expiration for all funding types.

LIMITATIONS ON FINANCED PROPERTIES

- A maximum of 20 financed properties including subject loan may be presented for SOLVE loan purchase.
- Commercial or multi-family (5+ units) property does not apply to the cap of 20 financed properties.
- SOLVE's exposure to a single borrower shall not exceed $7,500,000 in current unpaid principal balance (UPB) or ten (10) properties.

DISASTER AREAS

Properly licensed production staff are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at www.fema.gov/disasters. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence must be used to determine if the disaster guidelines should be followed.

APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

APPRAISALS COMPLETED AFTER DISASTER EVENT

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage noted in the original report must be repaired and re-inspected prior to purchase.

DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

A loan is ineligible for purchase until an inspection is obtained using one of the following options:

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report(DAR) from Pro Teck may be used. Any indication of damage reflected on the report will require a re-inspection by the appraiser.
- The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

The guidelines for disaster areas should be followed for 90 days from the disaster period end-date or the date of the event, whichever is later.

CONDOMINIUMS

Fannie Mae warrantable projects and non-warrantable projects are eligible, subject to the following:

The Originator may submit a request for SOLVE to complete a project eligibility review for warrantable projects.

- All non-warrantable projects must be submitted to SOLVE for review.
- The project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- The project meets all Fannie Mae insurance requirements for the property, liability, and fidelity coverage.
- The borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- The originator must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

Projects that are Fannie Mae Warrantable may be reviewed and approved by SOLVE. A Representation and Warranty certification from a senior SOLVE Underwriter stating that the project meets the requirements of a Fannie Mae Warrantable Project, such as the Condominium Project Warranty Certification, must be provided with the loan package to avoid a SOLVE project review and associated expense.

INELIGIBLE PROJECTS

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- A condominium project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
    - A condominium project where the unit is not the lessee's residence.
    - Projects are managed and operated as a hotel or motel, even though the units are individually owned.
    - Projects with names that include the words "hotel," "motel," "resort," or "lodge."
    - A project that includes registration services and offers rentals of units daily, weekly, or monthly.
    - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type of project.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- A new condo conversion completed less than two years ago.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Any project in which a single entity owns more than 25% of the total number of units. In projects that have 5-19 units, one owner can own a maximum of two units.
- Multi-family units where a single deed conveys ownership of more than one or all units.
- A project in which more than 50% of the total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.
- A common-interest apartment
    - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.

- The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.

- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis (i.e., timeshare).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- Any project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well-managed or in poor physical or financial condition. This might include excessive special assessments, low reserves, or neglected repairs.

NON-WARRANTABLE PROJECTS

A project failing to meet Fannie eligibility criteria may be considered an eligible non-warrantable project. One of the following characteristics within the project are permitted:

- Investor concentration up to 70%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- Commercial space up to 50%
- Single owner/entity concentration up to 25% (For projects consisting of 10-units or less, max 2- units)
- Annual budget allocation to reserves < 10% permitted if the following:
  - The appraisal report must note no significant repairs are needed, and
  - A lower annual allocation, listed below, is permitted if the following reserve balance thresholds are met:
    - 7% to 9.99% requires a reserve fund balance of 50% of the annual budget
    - 5% to 6.99% requires a reserve fund balance of 75% of the annual budget
    - 3% to 4.99% requires a reserve fund balance of 100% if the annual budget

CONDOTEL – EXCEPTION REQUIRED BY INVESTORS

Condominium Hotel – (ak.a. Condo Hotel, Condotel). *EXCEPTION REQUIRED BY INVESTORS.*

- A Project that is managed and operated as a hotel or motel, even though the units are individually owned.
- A project that includes registration services and offers rentals of units daily, weekly, or monthly.
- Occupancy Type: Primary, Second Home, or Investment.
- Investor concentration within the subject project may exceed established project criteria up to 100%.
- Maximum LTV/CTLV (may vary by product – see Loan/LTV Matrix):
  - Purchase: 75% (65% for Foreign National program)
  - R/T and Cash-Out: 65%
- Maximum Loan Amount: $1.5 Million
- Minimum Loan amount: $150,000
- Gross rents(for all income doc types) reduced by 20% to reflect extraordinary costs associated with operating short-term rental property compared to non-short-term.
- Minimum square footage: 500
- Fully functioning kitchen – defined as full-size appliances including a refrigerator and stove/oven
- Bedroom required (Studio's not allowed).

- Florida Condominiums:
  - For loans secured by a condominium unit in Florida,if the project is over 30 years old (or 25 within 3 miles of the coast), a structural inspection is required per Florida statute 533.889.
  - For projects not in compliance with this statute, financing is not eligible.
  - For projects meeting compliance, financing is eligible with an additional 5% LTV reduction.

TRANSACTION TYPES

PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV is based upon the lesser of the sales price or appraised value.

RATE & TERM REFINANCE

Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following applies:
  - Closed-end loan, at least 12 months of seasoning has occurred.
  - HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000. (For business purpose transactions, any draw over the life ofthe loan may not have been used for personal use. Business purpose transactions will require a draw history schedule and attestation from the borrower in the credit file that none of the advances were used for personal/consumer use).
- Buy out a co-owner according to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- LTV/CLTV is based upon the appraised value.
- Refinance of a previous loan that provided cash out, measured from the previous note date to the application date, and seasoned less than 12 months, will be considered a cash-out refinance.

CASH-OUT REFINANCE

- Max Cash–out:
  - LTV > 70% - $500,000
  - LTV > 50% & ≤ 70% - $1,000,000
  - LTV ≤ 50% - Unlimited

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Cash-out is eligible to satisfy the reserve requirements.
- A letter explaining the use of loan proceeds is required for all transactions.
  - Investment property transactions:
    - Loan proceeds used to pay off personal debt create a consumer transaction, and the loan is subject to ATR and TRID. This includes any past draws on a HELOC secured by the subject property regardless of timing. Business purpose transactions will require a draw history schedule and an attestation from the borrower in the credit file that none of the advances were usedor personal/consumer use).
- Loans not eligible for cash-out:
  - Primary Residence or Second home properties listed for sale in the past six (6) months.
  - Investment properties listed for sale in the past 6 months, unless a three (3) year prepay penalty applies to the loan.
  - There have been a prior cash-out within the past six (6) months.
  - Land Contract/Contract for Deed.
  - Foreign nationals are not eligible for cash-out for any loan secured by property in FL.
  - Asset Depletion.
  - Non-Occupant-Co Borrower Transactions
- Cash-Out seasoning is defined as the difference between the note date of the new loan and the property acquisition date.
  - For properties owned for 6 months or longer, the LTV/CLV is based upon the appraised value.
  - Cash-out seasoning of less than six (6) months is not allowed when the prior transaction was also a cash-out.
  - Cash-out seasoning of six (6) months or less is allowed with the following restriction:
    - The Seller has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

DELAYED FINANCING

Delayed financing is eligible when a borrower purchases a property for cash within 180 days of the loan application.

- The original purchase transaction was an arms-length transaction.
- The source of funds for the purchase transaction is documented (such as bank statements, personal loan documents, or a HELOC on another property).
- The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
- The preliminary title search or report must confirm no existing liens on the subject property.
- The transaction is considered cash-out; cash-out Loan/LTV limits apply.

LISTING SEASONING

Cash out: properties previously listed for sale must be seasoned at least six months from the listing contract expiration date to the loan application date. A listing expiration of fewer than six months is permitted for investment properties with a three-year prepayment penalty.

Rate & Term: Any active listing must be canceled prior to closing.

NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

NON-ARM'S LENGTH

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with the subject property builder, developer, or seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.

When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required and the payment history pattern (verification of the Seller's mortgage (VOM)).

ELIGIBLE NON-ARM'S LENGTH

- Buyer(s)/Borrower(s) represent themselves as agents in real estate transactions.
- Originator(s) represent themselves as an agent in real estate transactions.
- Renter(s) purchasing from a landlord.
  - 24 months of canceled checks to prove timely payments are required.
  - A verification of rent (VOR) is not acceptable.
- Purchase between family members.
  - Full Documentation type only.
  - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
  - Provide a 12-month mortgage history on the existing mortgage securing thesubject property, confirming the Family Sale is not a foreclosure bailout.

RESTRICTIONS FOR NON-ARM'S-LENGTH

- Primary residences only.
- Borrower to provide a canceled check verifying the earnest money deposit.
- Maximum LTV/CLTV of 80%.
- For-Sale-By-Owner (FSBO) transactions must be at arm's length.
- Employer-to-employee sales or transfers is not allowed.
- Property trades between the buyer and Originator are not allowed.
- Commission earned by buyer/borrower cannot be used for the down payment, closing costs, or monthly PITIA reserves.

BORROWER ELIGIBILITY- RESIDENCY

UNITED STATES CITIZEN

Eligible without guideline restrictions.

PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Legal permanent residents are legally accorded to reside permanently in the United States.

- Acceptable evidence of permanent residency includes the following:
  - Alien Registration Receipt Card I-151 (referred to as a green card).
  - Alien Registration Receipt Card I-551 (Resident Alien Card) does not have an expiration date on the back (also known as a green card).
  - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
  - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Eligible without guideline restrictions.

NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA.
  - Visa must be current. If the visa expires within six (6) months following the close date, additional documentation is required: evidence that the proper extension steps have been followed per the USCIS website, proof of payment receipt, and that the extension was done in the timeframe required by USCIS.
  - When applicable, a valid Employment Authorization Document (EAD) is required for US employment if a borrower is not sponsored by a current employer. If the visa expires within six (6) months of the loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship. The employer on the loan application must be the same as the unexpired visa.
- Guideline restrictions:
  - Maximum LTV/CLTV of 80%.
  - Maximum LTV/CLTV of 70% on DSCR.
  - All Documentation types are allowed.
  - Non-occupant co-borrowers are not allowed.
  - Gift funds are not allowed.
  - US credit requirements are detailed under the Credit section of this guide.
  - Cash-out is not allowed.

FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work visa indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons, including vacation or business.

FOREIGN RESIDENCY

A foreign national borrower must evidence their primary residence for the country issuing their Passport. Foreign National borrowers may not occupy the subject property as a primary residence.

- A complete loan application (Form 1003) is required on all loan files reflecting the borrower's address for their primary residence in their country of origin.
- The Application must include the borrower's full legal name, phone number, address including flat, floor, unit, or house number, street name, city, province/state, and postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application, e.g., lease agreement, utility bill, financial statement.
- A borrower Contact Consent Form is required.

AUTOMATIC PAYMENT AUTHORIZATION (ACH)

ACH form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closing package.

FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

The following are required to evidence that the borrower is in the U.S legally:

- Copy of the borrower's valid and unexpired passport (including photograph).
- Copy of the borrower's valid and unexpired visa (including photograph) or an I-797 form with valid extension dates and I-94.
- 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 expires within six months of the loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship (the employer on the loan application must be the same as on the unexpired visa).
- Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.h tml The credit file should be documented with a current print-out of the participating countries, with the borrowers country of origin highlighted.
- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, 0-2, P-1, P-2
- If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply. Non-Qualified Mortgage 55 9/07/2021

- All parties (Borrower and Seller) involved in the transaction must be screened through exclusionary lists, and must be cleared through OFAC's SND list. A search of the Specially Designated Nationals & Blocked Persons list may be completed via the US Department of Treasury: http://sdnsearch.ofac.treas.gov/.
- Borrowers from OFAC sanctioned countries are ineligible http://www.treasury.gov/resourcecenter/sanctions/Programs/Pages/Programs.aspx.

Individuals with Diplomatic immunity are not eligible. Immunity status is listed on the reverse side of the U.S. issued ID card or at: https://2009-2017.state.gov/s/cpr/rls/dpl//index.htm

QUALIFYING U.S. CREDIT

- A credit report should be obtained for foreign national borrowers with a valid Social Security number. Requirements found in the Credit section of this guide apply.
- Restrictions when qualifying with U.S. credit:
  - Minimum Credit Score: 680
  - Non-Occupant Co-Borrowers not allowed
  - Second Home or investment property only

QUALIFYING FOREIGN 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 two (2) open tradelines reporting for two (2) years with activity in the most recent 12 months. No derogatory credit history is permitted within the 2-year history under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:
  - Tradelines evidenced via a U.S. credit report; AND/OR
  - Tradelines evidenced via international credit report if a U.S. credit report cannot be produced or does not provide a sufficient number of tradelines; AND/OR
  - Alternative Tradelines consist of two of the following:
    - Credit Reference letter(s) from verified financial institutions in the borrower's country of origin
      - A 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 account status, including minimum 12-month payment history.
      - A single reference source may verify multiple accounts. Individual account detail must be provided.
      - The letter must mention the borrower by name.
      - The 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 a certified translator.
      - All documents must be translated into English by a licensed company.

        - Credit Card Statements – minimum of twelve (12) recent credit card statements reflecting a timely payment history.
- Guideline restrictions: Qualifying Foreign Credit
    - Maximum LTV/CLTV: 70%
    - Standard Doc (Second Home or Investment)
    - DSCR (Investment property only)
    - Non-Occupant Co-Borrowers not allowed

HOUSING HISTORY

A separate housing history is not required.

FOREIGN NATIONAL INCOME

- Borrowers with US-sourced income must comply with all Standard Documentation guidelines.
- Foreign National Salaried/Wage Earners qualifying on Non-US income sources must provide:
    - Paystubs covering a minimum of 30-days (which include YTD income) and one of the following:
        - W-2 equivalent or
        - Two (2) years of tax returns from the borrower's country of origin.
- Foreign National Self-Employed borrowers qualifying using non-US income sources:
    - Must be self-employed for a minimum of 2 years, evidenced by a letter from the borrower's CPA or local equivalent (the "Accountant") on Accountant letterhead. The letter must include income figures for the last 2 years and YTD income. A business license (where required) and organization documents should be provided; and
    - A copy of the Accountant's current license is required. The Business & Accountant must be independently verified; and
    - An independently certified translator must translate all documents. OR
    - Two (2) years of tax returns from the borrower's country of residence, along with a YTD P&L statement
- Asset Utilization is eligible for Foreign National borrowers. Assets must be seasoned for three (3) months in a U.S. financial institution.
- Income from countries sanctioned by OFAC is not allowed.

  Care must be taken in assessing income from non-US sources. If income is declining or inconsistent, and cannot be isolated to a non-recurring instance, then the lowest annual income should be used.

FOREIGN NATIONAL ASSETS

RESERVES

12 months of reserves are required on all transactions.

ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing

- Documenting Assets Held in Foreign Accounts:
  - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
  - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required, along with the information to comprise a sixty (60) day chain of funds.
  - See the 5.2.2 - Asset Documentation section of this guide for eligible sources and types of assets.

GIFT FUNDS

Gift funds are not allowed.

NON-OCCUPANT CO-BORROWERS

- Eligible with max blended DTI of 45%

FIRST-TIME HOME BUYERS

An individual is to be considered a first-time homebuyer if they:

- are purchasing the security property
- Will reside in the security property as a principal residence; AND
- Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property.

In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- Minimum 680 credit score.
- Interest Only NOT Allowed
- Minimum six (6) months of reserves.
- A 12-month rental history is required, reflecting 0x30.

INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity
- Any material parties (company or individual) to the transaction listed on HUD's Limited Denial Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list.

CREDIT

CREDIT REPORTS

A credit report is required for each borrower, including all members of an entity providing a personal guaranty. 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.

The credit report evaluating a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

LOAN INTEGRITY AND FRAUD CHECK

Data integrity is crucial to quality loan origination and mitigation of fraud risk. All parties to the transaction (Borrower(s), Originator(s), Broker, Loan Officer, and Real Estate Agent(s)) must be submitted to an automated SOLVE approved fraud and data check tool and clear all negative findings before closing.

CREDIT INQUIRIES

The creditor must obtain verification from the borrower in a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days must be explained. If new credit was extended, borrowers must provide documentationon the current balance and payment. If no credit was extended, the borrower must state the purpose of the inquiry. Licensed production staff must inform borrowers that they are obligated to inform SOLVE of any new extension of credit, whether unsecured or secured, that occurs during the underwriting process and up to the loan's consummation.

HOUSING HISTORY

PROGRAM	PROGRAM RESTRICTIONS
ALT-A	0x30x12
NON-PRIME	1x60x12
DSCR	1x30x12

MORTGAGE/RENTAL VERIFICATION

A current mortgage/rental history is required for all SOLVE programs. Current means the borrower has made all mortgage payments due in the month before the note date. If the credit report does not reflect the current payment history, one of the following additional documents is required:

- A loan payment history from the servicer or third-party verification service,
- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, or
- A verification of mortgage.

For properties owned free and clear, a property profile report or similar document showing no liens against the property should be included in the credit file. Any balloon notes with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent.

A borrower's combined mortgage/rental history is used for program or grade eligibility. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (canceled checks, mortgage/rental statements including payment history, etc.) must be provided. A VOM/VOR completed by a private-party Originator or any non-institutional lender must be supported by canceled checks. For properties owned free and clear, a property profile report or similar document showing no lien against the property should be provided in the credit file.

LIVING RENT-FREE

Borrowers who live rent-free or without a complete 12-month housing history are allowed, with the following restrictions:

- Primary residence only
- Any available portion of a 12-month housing history must be paid as agreed.
- Borrower(s) who own their primary residence free and clear aren't considered living rent-free.
- Borrower(s) who sold a primary residence within the past six (6) months and currently reside rent-free until the subject transaction closes are not considered living rent-free.
- If the subject property is an investment transaction, the applicant cannot live rent-free unless the borrower has a history of owning investment properties while living rent-free. For example:
    - The borrower is purchasing an investment property, living rent-free, and using 1031 funds to purchase the subject property. The applicant has a history of living rent-free and owning investment real estate.

DEPARTURE RESIDENCE

- If the borrower's current principal residence is pending sale, but the transaction will not close before the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded. The credit file is documented with the following:
    - The executed sales contract for the current residence, and
    - Confirmation that any financing contingencies have been cleared.

- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded. The credit file is documented with all the following:
    - Market Rent Analysis, Single-Family Comparable Rent Schedule (Fannie Mae Form 1007)
    - Copy of a current lease
    - Evidence of proof of receipt of damage deposit and first month's rent.

PRIORITY

CONSUMER CREDIT

INSTALLMENT DEBT

An installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if 10 or fewer monthly payments remain to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or before closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence that the debt has been paid in full.

LEASE PAYMENTS

Lease payments must be considered as recurring monthly debt obligations and included in DTI calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

STUDENT LOANS

If a monthly student loan payment is provided on the credit report, the Originator may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Originator may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the Originator must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Originator may calculate:

- A payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- A fully amortizing payment using the documented loan repayment terms.

DEFERRED INSTALLMENT DEBT

Deferred installment debts must be included in the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Originator must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

REVOLVING DEBT

Revolving debt is open-ended debt in which the principal balance may vary from month to month. As stated on the credit report or current account statement, the minimum required payment should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of

$10 or 5% of the current balance should be included in the DTI ratio calculation.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, the Originator must use 5% of the outstanding balance to be included in the DTI ratio calculation.

Revolving accounts can be paid off before or at closing to exclude the debt ratio payment. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence that the debt has been paid in full.

Any non-mortgage account can be no more than 30 days delinquent at the time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

OPEN 30 DAY CHARGE ACCOUNT

Open 30-day charge accounts require the balance to be paid in full every month. The applicant must demonstrate that they have enough funds to cover the entire balance in addition to the reserve calculation. SOLVE does not require open 30-day charge accounts in the debt-to-income ratio.

TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

BUSINESS DEBT

A business debt is a financial obligation of a business. It can be the sole responsibility of the business or be personally secured by the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's credit report, the borrower is personally liable for the debt, and it must be included in the debt-to-income ratio.

Debts paid by the borrower's business can be excluded from the DTI ratio with any of the following supporting documentation:

- Most recent six (6) months of canceled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- A business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the debt balance.

If the debt is less than six (6) months old, the DTI ratio must include the payment.

CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, can affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250 and accounts that total more than $2,000 must be paid in full before or at closing. See below for exceptions:
    - Medical collections less than $15,000 are not required to be paid.
    - A second mortgage or junior lien that has been charged off is subject to foreclosure seasoningperiods for grade determination based on the charge-off date.
    - Collections and charge-offs that have expired under the state statute of limitations on debtsmay be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (subject to program DTIrestrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

CONSUMER CREDIT COUNSELING SERVICES

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan. Evidence of timely payments for the most recent 12 monthsis provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

JUDGMENT OR LIENS

All open judgments, garnishments, and outstanding liens must be paid off before or at loan closing.

INCOME TAX LIENS

All tax liens (federal, state, and local) must be paid off before or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with repayment terms, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of six (6) payments have been made under the plan, with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the following payment amount owed due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The lien balance, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for a lien against the subject property.

DISPUTED ACCOUNTS

When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved. If the disputed account balance is $250 or less, the payment can be included in the total debt calculation, and the account can remain in dispute. The total aggregate balance of accounts in dispute remaining unresolved can't exceed $2,000.

BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twenty-four (24) months. Specific programs may have longer periods, see Product At-A-Glance for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date tothe Note date.

FORECLOSURE SEASONING

Foreclosures must be seasoned for a minimum of twenty-four (24) months. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure that was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

SHORT SALE AND/OR DEED-IN-LIEU SEASONING

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twenty-four (24)months.

In the case of a short sale/deed-in-lieu included in a bankruptcy, the seasoning timeline will start from the date of discharge of bankruptcy and the short sale/deed-in-lieu completiondate.

FORBEARANCE, MODIFICATION, OR DEFERRALS

Forbearance, loan modifications, or deferrals are treated as a short sale / deed-in-lieu for eligibility and pricing purposes. Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.

A recent forbearance, due to COVID-19, may be eligible based upon the following:

- Borrower(s) who entered into a forbearance plan but continued to make timely payments and remained employed without income disruption, are eligible without any restrictions.
- Borrower(s) who entered a forbearance plan with missed payments. Eligibility is based upon the number of payments made since the forbearance period expired and the borrower exited forbearance:
    - 3 timely payments made since exiting the plan:
        - ALT-A:
            - LTV/CLTV is limited to 75% for a purchase transaction and 65% for any refinance.
            - 680 Min FICO
        - INVESTOR:
            - LTV/CLTV is limited to 70% for a purchase transaction and 60% for any refinance.
            - 680 Min FICO
        - NON-PRIME: Not Eligible
    - 6 timely payments made since exiting the plan
        - ALT-A/NON-PRIME:

- LTV/CLTV is limited to 85% for a purchase transaction and 70% for any refinance.
- 660 Min FICO

▪ INVESTOR:
  - LTV/CLTV is limited to 75% for a purchase transaction and 65% for any refinance.
  - 660 Min FICO or Foreign Credit

- 9 timely payments made since exiting the plan
  - No restrictions
  - Payments must be documented by canceled checks or bank statements.
- Any deferred/postponed payments are considered missed payments.
- Income must have been re-established at the time payments commenced and remained consistent since.

CREDIT SCORE

Loan eligibility is based upon a Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have two (2) credit scores. Use the lower of two (2) or middle of (3) credit scores generated to determine the Decision Credit score.

For loan files with multiple borrowers:

- Standard Doc: If a borrower's income represents a minimum of 55% of total household income, that borrower is considered the primary borrower. Their credit score can be used as the Decision Credit Score. Otherwise, use the lowest Decision Score amongst all borrowers on the Note and Title.
- All Other Income Documentation Options: Use the lowest Decision Score amongst all borrowers who will be on the Note and Title.

TRADELINES

STANDARD TRADELINES

If the primary wage-eaner has three (3) credit scores, minimum tradeline requirements are waived. However, if the scores are compromised of authorized user accounts, tradeline gudielines must be met.

For All Programs:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines are reporting for a minimum of 24 months, with activity in the last 12 months, or
- A combined credit profile between Borrower and Co-Borrower (if they are married) with a minimum of three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the below requirements:

- No fewer than eight (8) tradelines are reported, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for twelve (12) months.
- The borrower has an established credit history for eight (8) years.
- Tradelines with recent serious adverse history are not acceptable

- Student loans can be counted in credit depth as long as they are in repayment and not being deferred

The following are ***not*** acceptable to be counted as tradelines:

- "Non-traditional" credit as defined by Fannie Mae
- Collection accounts
- Liabilities in deferment status
- Foreclosures
- Accounts discharged through bankruptcy
- Deed-in-lieu of foreclosure
- Authorized user accounts
- Short sales
- Charge-offs
- Pre-foreclosure sales

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

HOUSING AND MORTGAGE-RELATED OBLIGATIONS

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned (REO) section of the Form 1003 loan application. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

An Originator may use a credit report to verify a borrower's current debt obligations unless the Originator has reason to know that the information on the report is inaccurate or disputed. According to Fannie Mae guidelines, obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower's recurring monthly debt obligations. However, voluntary payments do not need to be considered, and an exception is allowed for alimony. For alimony obligations, the Originator can reduce the qualifying income by the amount of the alimony obligation instead of including it as a monthly payment in the calculation of the DTI ratio. If the Originator exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the obligation amount must be obtained and retained in the loan file.

ADDITIONAL CREDIT CRITERIA

- Inquiries: The borrower must explain recent inquiries within 90 days of the credit report date.
- New debt/liabilities: A verification of all new debt/liabilities must be provided, and the borrower should be qualified with the additional monthly payment.

- Gap credit: A gap credit report is required 10 days before closing or anytime after closing. DSCR transactions are excluded from this requirement.

SOLVE reserves the right to request a newly processed credit report pre-loan closing or beforethe loan funding date to confirm that no new debt/liabilities have been added.

ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

ASSET REQUIREMENTS

Sufficient funds for a down payment, closing costs, and reserves must be documented in each credit file. The documentation must cover a minimum two-month time period. The documentation should be dated within 90 days of the loan note date.

ASSET DOCUMENTATION

In addition to documenting the down payment, closing costs, and minimum PITIA reserve requirements, all borrowers are encouraged to disclose (and the Originator must verify) all of the borrower's liquid assets. The Originator can use any of the following as asset documentation:

- Account statements (bank, credit union, brokerage, etc.) cover the most recent 30-day period.
- When bank statements are used for asset verification, the statements can be obtained from the borrower, or the Originator can use a third-party asset vendor participating in Fannie Mae's "Day 1 Certainty" process. Regardless of the source of the statements, any large deposits must be evaluated. Large deposits are defined as any single deposit representing more than 50% of the borrower's monthly income.
- Request for Verification of Deposit (Fannie Mae Form 1006).
- Stocks/bonds/mutual funds - 100% of stock accounts may be considered in calculating assets for closing and reserves.
- Vested retirement account funds –70% may be considered for reserves.
- Assets held in foreign accounts may be used as a source of funds to close and meet applicable reserve requirements. These funds must be transferred to a US-domiciled account in the borrower's name at least 10 days before closing.
- Documenting assets held in foreign accounts:
  - Assets must be verified in US Dollar equivalency at the current exchange rate via either http://www.xe.com or the Wall Street Journal conversion table.
  - A copy of the two (2) most recent statements of that account is required. If the funds are not seasoned for a minimum of 60 days, a letter of explanation is required along with the information to complete a 60-day chain of funds.

The Originator ***cannot use*** any of the following as asset documentation:

- Non-vested or restricted stock accounts are not eligible for use as down payments or reserves.
- Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.

PRIORITY

BUSINESS FUNDS

Self-employed borrowers can use business assets for the down payment, reserves, and closing costs.

- Allowed up to the borrower's percentage of ownership.
- Cash flow analysis is required if income from the business is being used to qualify.
- Any recent large deposits outside the trend must be sourced to confirm they are not borrowed funds.
- For DSCR transactions
  - Document the borrower's percentage of ownership; use of funds up to the borrower's ownership percentage is allowed without restrictions.
  - Large deposits do not need to be sourced.

DOWN PAYMENT

Properly licensed production staff must require that the borrower state the source of the down payment and provide verification. If the Originator determines that the source of the down payment is another extension of credit, the Originator must then consider that loan as simultaneous secondary financing. Refer to the Secondary Financing section.

RESERVES

Loan Amount <= 1M	**3 Months**
1M < Loan Amount <= 1.5M	**6 Months**
1.5M < Loan Amount < 2M	**9 Months**
2M => Loan Amount	**12 Months**
FTHB	**6 Months**
First Time Investor	**12 Months**
50% < DTI < 55%	**12 Months**

- Reserves must be sourced and documented as specified in the Asset Documentation section of these guidelines.
- Reserves for a loan with an Interest Only feature are based upon the Interest-Only payment amount.
- For Adjustable Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.
- The borrower can use Cash Out to satisfy reserve requirements regardless of LTV.

GIFT FUNDS

Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:

- Maximum LTV/CLTV 75% - Gift funds are acceptable as 100% down payment
- LTV/CLTV >75% - Borrower(s) must contribute at least 5% of the purchase price from their funds

ELIGIBLE DONORS AND DOCUMENTATION

A gift can be provided by:

- A relative, defined as the borrower’s spouse, child, or other dependents, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.
- **The donor may not be or have any affiliation with the builder, the developer, the real estate agent, or any other interested party to the transaction.**

DOCUMENTATION REQUIREMENTS

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- Specify the dollar amount of the gift.
- Specify the date the funds were transferred.
- Include the donor’s statement that no repayment is expected; and
- Indicate the donor’s name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower’s funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor’s address must be the same as the borrower’s address. Examples include but are not limited to acopy of a driver’s license, a bill, or a bank statement.

Verifying Donor Availability of Funds and Transfer of Gift Funds

The lender must verify that sufficient funds to cover the gift are either in the donor’s account or transferred to the borrower’s account and reflected on the most recent bank statement.

Acceptable documentation includes the following:

- A copy of the donor’s check and the borrower’s deposit slip,
- A copy of the donor’s withdrawal slip and the borrower’s deposit slip,
- evidence of the electronic transfer of funds from the donor's account to the borrower's account or to the closing agent;
- A copy of the donor’s check to the closing agent, or
- A settlement statement showing receipt of the donor’s check.

When the funds are not transferred before settlement, the lender must document that the donor gave the closing agent the gift funds in a certified check, a cashier’s check, or other official checks.

- Gift funds may not be used to meet reserve requirements,
- Gift of Equity allowed for Primary Residence only. Must meet all other guidelines for Gift Funds.

INELIGIBLE FUNDS

The following funds are not eligible sources for the down payment, closing costs, and reserves:

- Cash-on-hand.
- Sweat equity.
- Gift or Grant funds that must be repaid.
- Down payment assistance programs.
- Unsecured loans or cash advances.

INCOME

INCOME ANALYSIS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

INCOME WORKSHEET

The loan file must include a SOLVE-approved income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/loss details for each business separately, not in aggregate.

EMPLOYMENT/INCOME VERIFICATION

- Unless otherwise noted, the most recent two (2) years of income documentation is required for all income documentation types.
- If any borrower is no longer employed in the position disclosed on Form 1003 at the SOLVE purchase date, SOLVE will not purchase the loan.

STABILITY OF INCOME

- The borrower's verified gross monthly income is stable monthly income, which can be reasonably expected to continue for at least the next three (3) years. The Originator must determine that both the source and the amount of the income are stable.
- Two-year employment history is required for the income to be considered stable and used for qualifying.
- When the borrower has less than a two-year history of receiving income, the Originator must provide a written analysis to justify the stability of the income used to qualify the borrower.
- While the sources of income may vary, the borrower should have consistent income level changes in the sources of income.

EARNINGS TRENDS

When analyzing borrower earnings, year-over-year earnings trends must be incorporated into the borrower's income calculation per Appendix Q to Part 1026 of Regulation Z - Standards for Determining Monthly Debt and Income.

Year-to-date (YTD) income amounts must be compared to prior years' earnings using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- Stable or increasing: The income amounts should be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income, but the most recent 12-month earning has stabilized, and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income should beused.
- Declining: If the trend is declining, the income is not eligible.

DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to SOLVE guidelines and the inclusion of all income and liability expenses.
The DTI ratio consists of two components:

- Total monthly debt obligations, which includes the qualifying payment for the subject property mortgage loan and other long-term and significant short-term monthly debts.
- Total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage.

The subject property mortgage loan is defined as the borrower's housing payment and includes PITIA and principal and interest on any subordinate lien financing.

The property taxes, Homeowner's Insurance (HOI), Flood Insurance, and HOA dues of a primary residence that is owned free and clear will be considered in the borrower's housing history determination and must remain current throughout the transaction.

Up to 50% Max DTI
• All Doc types
Up to 55% Max DTI
• Full Doc – 24 months • Reserves – 12 months • Max LTV/CLTV – 75% • Primary Residence Only • First Time Home Buyer not Permitted • Purchase & Rate and Term only • Residual Income: $3,500

RESIDUAL INCOME

Residual Income is the monthly income remaining once a borrower has paid all monthly debt obligations.

Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below; $250 is added for the first dependent and $125 for each additional dependent.

OCCUPANCY	MAXIMUM LTV	MINIMUM RESIDUAL INCOME
Non-Prime - Primary	90%	$2,500
Non-Prime - Primary – DTI > 50%	80%	$3,500
Alt-A - Primary	85%	$1,250

DOCUMENTATION OPTIONS

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard Documentation includes various other types of income. See Other Sources of Income for documentation requirements. Income should be calculated and documented according to SOLVE guidelines. If a specific source of income is not referenced in the SOLVE Guide, the Fannie Mae guidelines for that income source may be used. The Originator income worksheet should be included and delivered as part of the credit file.

IRS FORM 4506-T

When the IRS Form 4506-T is required, it must be signed by the borrower, and the transcript obtained and provided in the credit file. If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with the "Unable to Process" or "Limitation" code.
    - Proof of identification theft, as evidenced by one (1) of the following:
    - Proof that the identity theft was reported to and received by the IRS (IRS Form14039).
- A copy of the notification from the IRS alerting the taxpayer to possible identity theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's tax return (Form 1040). Validation of prior tax year's income (The income for the current year must be in line with prior years.

TAXPAYER FIRST ACT

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person."Tax return information" is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if an Originator obtains tax return information during the origination of a mortgage loan, the originator must obtain express consent from the taxpayer to share the tax information with another party. Such sharing would extend to actual or potential loan owners, such as SOLVE or any other loan participant.

The Taxpayer Consent Form has been created to ensure compliance with the law. The Originator must include either the SOLVE version of the document in all loan files that include tax returns.

STANDARD DOCUMENTATION

The Standard Income Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

RESTRICTIONS

- See the SOLVE Matrices for maximum LTV/CLTV and Debt-To-Income section for maximum DTI.
- A minimum credit score of 620.
- The COVID-19 pandemic has increased among furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees return to work, they cannot provide evidence of stable and reliable employment-related income.

STANDARD DOCUMENTATION (24 OR 12 MONTHS)

- Eligibility and pricing differences exist for the 24 or 12-month documentation options. See Product Matrix and rate sheets for details.
- When tax returns are required, as, in the case of investment property ownership, the most recent one or two years of returns should be provided. The definition of "most recent" is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.
- For wage or salaried borrowers, the following are required:
  - The borrower's most recent paystubs reflect 30 days of pay and YTD earnings, along with IRS W-2 forms covering the most recent two-year or one-year time period, depending on the selected option.
  - A verbal Verification of Employment (VOE) from each employer within 5 days of the Note date. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used instead of a verbal VOE.
  - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed, and the W-2 transcript(s) for the corresponding number of W-2s should be included in the credit file. If tax returns are present in the credit file, transcripts for the returns will be required. Any discrepancies between the two (2) documents should be explained, and, if necessary, additional documentation obtained to satisfy the discrepancy.
- For self-employed borrowers, the following are required:
  - The most recent two (2) years or one (1) of tax returns, personal and business if applicable (including all schedules), based upon the option selected, signed, and dated by each borrower.
  - A YTD Profit and Loss Statement (P&L), up to and including the most recent month preceding the loan application date, and two business checking account statements for the two most recent months are reflected on the P&L.
  - Gap Year P&L – If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, and the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year's tax returns.
  - A completed, signed, and dated IRS Form 4506-T is required for each borrower's tax return. The form should be executed, and the transcript(s) for the corresponding number of tax returns must be included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained, and, if necessary, additional documentation should be obtained to satisfy the discrepancy.
  - Verify the existence of the business within 30 days of the Note date and ensure the business is active with the following:

    - A letter from either the businesses tax professional, regulatory agency, or licensing bureau certifying two (2) years of self-employment in the same business, and
    - Either a phone listing or business address using directory assistance or an internet search.
  - The underwriter must consider the financial strength of a self-employed borrower's business.

HISTORY OF SELF-EMPLOYMENT (FULL DOC)

A two (2) year history of self-employment is required on all loans. However, less than two (2) years but greater than (1) can be considered case-by-case by exception. Requirements are:

- Strong Previous experience
- Job-Industry-specific training
- A previous work history is needed to support the lack of self-employment history.

OTHER SOURCES OF INCOME

ALIMONY OR CHILD SUPPORT

Document the support will continue for at least three (3) years by one of the following:

- Copy of divorce decree or separation agreement
- Other types of written legal agreement or court decree

Document at least six (6) months' receipt of full payments made consistently.

AUTO ALLOWANCE

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

CAPITAL GAINS

Document a two-year history with Federal tax returns for the most recent two (2) years, including an IRS Form 1040, Schedule D. Use a two-year average for income if the borrower provides current evidence that:

- They own additional property or assets that can be sold to support the borrower, AND
- They will continue to receive the capital gain income for a minimum of three (3) years.

Current receipt is not required; however, asset ownership must comply with the Age of Document Requirements section.

Capital losses do not have to be considered.

COMMISSION INCOME

Commission earnings should be averaged over the most recent two (2) years and require the following documentation:

- Most recent year-to-date pay stub reflecting the commission earnings and
- W-2 forms covering the most recent 2-year period; OR
- A completed Request for Verification of Employment - Fannie Mae Form 1005.

A borrower in the current job for less than two (2) years may also qualify to use commission earnings with compensating factors and evidence that they have a 2-year history of receiving commission income in the same line of work.

DISABILITY INCOME

Obtain a copy of the borrower's disability policy or benefits statement. This will determine current eligibility for the benefits, amount and frequency of payments, current proof of receipt, and if there is a contractually established termination or modification date.

Generally, long-term disability will not have a defined expiration date and should be expected to continue. If the borrower is receiving short-term disability that will decrease within the next three (3) years because of conversion to long-term disability, the amount of long-term must be used as income to qualify the borrower. If the borrower is receiving short-term disability income that will decrease in the near term due to a return to work, the following is also required:

- A signed letter from the borrower stating the intent to return to work once the disability no longer exists.
- Verification from the employer stating that the borrower will be allowed to return to work once the disability no longer exists.

EMPLOYED BY A RELATIVE

Income for borrowers who are employed by family members must be verified using Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years
- W-2s for the most recent two (2) years
- Paystub(s) covering the most recent 30-day period.

Clarification of the borrowers' potential ownership of family-owned businesses may also be required. A borrower may be an officer of a family-operated business but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

EMPLOYMENT OFFERS OR CONTRACTS

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated before the Note date.

FOREIGN INCOME

Foreign income is earned by a borrower employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use the foreign income to qualify if they provide copies of their signed federal income tax returns for the most recent two (2) years that include foreign income.

FOSTER CARE INCOME

Income received from a state or county-sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with verification letters from the organizations providing the income.
- Document that the borrower has a two-year history of providing foster-care services. If the borrower has not received this type of income for two (2) full years, the income may still be considered stable if the borrower has at least a 12-month history of providing foster-care services. The income may not represent more than 30% of the total gross income used to qualify for the mortgage loan.

HOUSING/PARSONAGE INCOME

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for 12 months. The allowance is likely to continue for three (3) years. The housing allowance may be added to income but may not be used to offset the monthly housing payment. Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained. Although not subject to federal income taxes, the housing allowance is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

INTEREST/DIVID ENDS

Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must comply with the Age of Document section

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
- Develop an average of the income received for the most recent two (2) years.
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

NOTES RECEIVABLE INCOME

Verify that the income can be expected to continue for three (3) years from the date of the mortgage Note. Obtain a copy of the Note to establish the amount and length of payment.

Document regular receipt of income for the most recent 12 months using canceled checks, bank statements, or federal tax returns. Payments on a Note executed within the past 12 months may not be used as stable income regardless of the duration.

PENSION, RETIREMENT, ANNUITY

Document regular and continued receipt of the income, as verified by letters from the organization providing the income, copies of retirement award letters, federal income tax returns, or 1099 forms, along with at least a one-month proof of current receipt.

If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the mortgage Note. In addition, the borrower must have unrestricted access to the access without penalty.

RENTAL INCOME FULL DOC

If a borrower has a history of renting the subject or another property, generally, the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. If the borrower does not have a history of renting the subject property or if, in some instances, the tax returns do not accurately reflect the ongoing income and expenses of the property, the Originator may be justified in using a fully executed current lease agreement. Examples of scenarios that justify the use of a lease agreement are

- Purchase transactions,
- Refinance transactions in which the borrower purchased the rental property during or after the last tax return filing, or
- Refinance transactions of a property that experienced significant rental interruptions such that income is not reported on the recent tax return (for example, a significant renovation to the property occurred in the prior year that affected rental income).

RENTAL INCOME – ALT DOC (EXCEPT DSCR)

Borrowers using the Alt Doc bank statement documentation type may include rental income as a secondary source if the following apply:

- A copy of the lease(s) for the rental property is provided in the credit file.
- Must provide two (2) months of proof of the receipt of rental income or 1st month's rent and security deposit for new leases. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
- Short-Term Rental Income:
  - A 12-month look back must be documented with documentation from the rental management agency or rental platform.
- 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.

RESTRICTED STOCK UNITS

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give employees interest in company stock but have no tangible value until vesting iscomplete. The RSUs are assigned a fair market value when they vest and are considered income witha portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years, is continuing, and is identified on the borrower's tax returns as income.
- RSU income is calculated using a 2-year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average must be used for qualifying.
- RSU income must be likely to continue for three (3) years.
- The borrower must be employed at the same company that issued the RSUs.
- The employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered qualifying income if used for down payment, closing costs, and/or reserves.

The following documentation is required for RSUs:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income for a minimum of three (3) years.
- To prove a 3-year continuance, take the available number of RSUs on the Note date and multiply by the 52-week low stock price, then divide by 36 months. This monthly amount must be greater than or equal to the monthly qualifying amount.
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes:
  - Tax returns for the last two (2) years, reflecting RSU income.
  - Year-end paystubs reflect the RSU payout.
  - An employer-provided statement paired with a brokerage or bank statement showing the transfer of shares or funds includes the (a) date of the payout and (b) the number ofvested shares and their cash equivalent distributed to the borrower.

ROYALTY INCOME

- Obtain copies of the following:
  - Royalty contract, agreement, or statement confirming the amount, frequency, and duration of the income.
  - The borrower's most recent signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

SOCIAL SECURITY INCOME

Social Security income for retirement or long-term disability, drawn by the borrower from their own account/work record, will not have a defined expiration date and should be expected to continue. Eligibility needs to be documented with either a copy of the retirement, disability, or supplemental award letter and at least one (1) month's proof of receipt.

Benefits based upon another person's account for retirement, disability, or supplemental income require a copy of the award letter, current proof of receipt, and evidence of a three-year continuance.

TEACHER INCOME

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

TIP INCOME

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc). Tip income should be received for at least two (2) years and documented through the most recent year-to-date pay stubs and federal income tax returns for themost recent two (2) years. Income should be averaged over the period verified. If the tip income is not reported on the paystubs or tax returns, it may not be included in the qualifying income.

TRUST INCOME

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the following:

- The borrower is a beneficiary.
- The amount, frequency, and duration of the payments.
- The trust income will continue for at least three (3) years from the mortgage Note date. Obtain a copy of the borrower's tax return verifying receipt of the income. Unless this income is received, monthly documentation of the current receipt of the income is not required if the income is on the borrower's most recent tax return.

UNEMPLOYMENT BENEFIT INCOME

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the period verified.

VA BENEFITS

Document the borrower's receipt of Veteran Administration (VA) benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because education expenses offset them.

VARIABLE – OVERTIME/BONUS

Bonus and overtime can be used to qualify if the borrower has received the income for the past two (2) years and it is likely to continue. An average bonus or overtime income should be used. A written VOE (Fannie Mae Form 1005) should be obtained to provide a breakdown of bonus or overtime earnings for the most recent two (2) years. If the employment verification states the income is unlikely to continue, it may not be used in qualifying.

INELIGIBLE INCOME SOURCES

- Boarder income
- Mortgage Credit Certificates
- Educational benefits
- Mortgage Differential Payments
- Gambling winnings
- Refunds of federal, state, or local taxes
- Illegal income

ALT DOC - BANK STATEMENTS

Bank statements must be obtained from the borrower. Income documented through the Alt Doc program method may be combined with other income sources documented as Standard Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Alt Doc, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506-T form is still required; however, Box 8 should be checked to obtain a transcript of W-2 earnings.

RESTRICTIONS ON 24 OR 12 MONTHS OF BANK STATEMENTS

- Consult Product matrices for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years.
- A business must exist for a minimum of two (2) years.
- A minimum credit score is 620.
- The primary borrower (majority of the household income) must be self-employed.

RESTRICTIONS ON ALT DOCUMENTATION

- Tax returns and 4506-T for full tax transcripts are not required for the program. If tax returns or full tax transcript are provided, the loan will be ineligible for the Alt Doc Program.

HOW TO CHOOSE BANK ACCOUNT ANALYSIS TYPE

Documentation of income will be viewed differently based on what type of account the borrower provides. The Personal Accounts section only applies when the borrower(s) have a SEPARATE business account that distributes funds to the borrower's personal account. The Business Account section applies when the borrower(s) have either a strictly business account, using a personal account solely for business, or co-mingling a personal account for both business and personal use.

PERSONAL ACCOUNTS

- Account reflecting personal income and expenses.
- Most recent 24 or 12 months of PERSONAL bank statements,

- Most recent two (2) months of BUSINESS bank statements.
- Verify within 90 days of the Note date that the business has a minimum two-year operating history with one of the following: a letter from either the business's tax professional, regulatory agency, or licensing bureau, certifying two (2) years of self-employment in the same business.
- Verify within ten days of the Note date the business is active and operating with either:
  - Evidence of current work (executed contracts or signed invoices) or
  - Evidence of current business receipts or
  - Business website demonstrating activity supporting current business operations
- Verify that the borrower owns 25% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage

BUSINESS ACCOUNTS OR CO-MINGLED

- Account in the name of the business reflecting only business income and expenses
- Verify within 90 days of the Note date that the business has a minimum two-year operating history with one of the following: a letter from either the business's tax professional, regulatoryagency, or licensing bureau, certifying two (2) years of self-employment in the same business.
- Verify within ten days of the Note date that the business is active and operating with either:
  - Evidence of current work (executed contracts or signed invoices) or
  - Evidence of current business receipts or
  - Business website demonstrating activity supporting current business operations
- Verify that the borrower is at least 25% owner of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting theborrower's ownership percentage.
- Non-borrowing owners of the business must provide a signed and dated letter acknowledgingthe transaction and verifying the borrower's access to the account for income calculations.
- Net income from the analysis of the bank statements must be multiplied by the
- borrower's ownership percentage to determine the borrower's qualifying income.
- The expense analysis method should be reasonable for the type of business.
- Co-mingled Only: Verify that the borrower is 100% owner of the business (borrower and spouse with combined 100% ownership are also eligible).

ALT DOC INCOME ANALYSIS

In addition to the factors described in the Income Analysis section of this guide, Originators should consider the following:

- Expenses must be reasonable for the type of business.
- Deposits should be reviewed for consistency.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of a large deposit under "Asset Documentation" applies to Alt Doc bank statement analysis.
- Changes in deposit patterns must be explained.
- Income documented separately but co-mingled must be backed out of deposits.

- Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing is required.

PERSONAL BANK STATEMENT REVIEW

- Income is calculated using total deposits, minus any inconsistent or large deposits not justified. Qualifying income is based upon the total eligible deposits from the 24 months or most recent 12 months of statements. The most recent bank statement must be consistent with the qualifying income. ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements are required.
  - They must evidence activity to support business operations.
  - They must reflect transfers to the personal account.

BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW

For Business and Co-mingled bank statement review, use one of the three options below.

OPTION 1 - FIXED EXPENSE RATIO – (50%)

A 50% Fixed expense ratio is applied to total allowed deposits to determine the net income.

A business narrative provided by the borrower's business includes details regarding the industry, size, and operating profile of the business, addressing location/rent, number of employees/contractors, COGS, and physical assets such as trucks/equipment (owned or leased). The business narrative form is to be completed by the borrower or an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: Controller, Treasurer, V.P. Finance, Finance Manager, or Accounting Manager. A third-party individual can also complete this form with direct knowledge of the borrower's business, such as a Certified Public Accountant or an IRS Enrolled Agent.

OPTION 2 - BUSINESS EXPENSE STATEMENT LETTER

- Net Income is determined by the total deposits (minus any inconsistent deposits) reflected on the bank statements, less total expenses. Total expenses are calculated by multiplying the total deposits by the expense factor provided by a CPA, IRS enrolled agent, or licensed tax preparer (subject to a minimum total expense percentage of 10%). Qualifying income is the lower of:
  - For the 24-month statement option, the net income from the analysis using all 24 months of bank statements, or
  - For both the 24- or 12-month statement option, the net income based upon the most recent 12 months of bank statements
- The most recent bank statement must be consistent with the qualifying income.
- Expenses must be reasonable for the type of business.
- SOLVE reserves the right, at the reviewer's discretion, to require additional documentation if the expense ratio appears unreasonable for any business entity.
- Documentation Requirements:
  - 24 or 12 months of business bank statements covering the most recent time-period and

- An expense statement specifying business expenses (minimum expense ratio is 10%) as a percent of the gross annual sales/revenue, prepared and signed by a CPA, IRS enrolled agent, or licensed tax preparer; and
- Credit file must contain documentation showing evidence of the preparer's business.

OPTION 3 - THIRD-PARTY PREPARED P&L STATEMENT

- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same period. If the deposits support the sales, qualifying income is the lower of:
  - The Net Income indicated on the P&L divided by the number of statements (24 or 12) OR
  - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12)
- For the 24-month option, the average total deposits from the most recent 12-month period must be consistent with the average total deposits from months 13-24. If the deposit trend is declining, a business narrative and explanation is required to determine if the loan meets the stable income definition in Earning Trends section.
- Documentation Requirements:
  - 24 or 12 months of business bank statements covering the most recent time-period and matching the period covered by the P&L and
  - P&L covering 24 or 12 months, matching the number of bank statements, prepared and signed by either a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer; and
  - The credit file must contain documentation showing evidence of the preparer's business.

NON-SUFFICIENT FUNDS

- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:
  - Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account’s balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
  - Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line’s credit limit was not exceeded during the statement period of the transfer and (b) a payment amount that equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
  - Occurrences included in the analysis are subject to the following tolerances:
  - An occurrence is defined as one or more checks returned the same day.
  - If there are one (1) or more occurrences in the most recent two-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
  - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
  - Exception requests for tolerance deviations must include
    - A letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and
    - Additional compensating factors outlined by the underwriter supporting the viability of in.
  - The underwriter must consider the financial strength of a self-employed borrower's business.

ALT DOC – CPA/EA PROFIT & LOSS STATEMENT

Profit & Loss statement prepared by a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), or a CTEC registered tax preparer. The credit file must contain documentation showing the CPA is currently licensed in their state, the EA is currently active (Screen shot of the IRS web site), or the CTEC is active (Screen shot from CTEC web site).

- 24 or 12-Month CPA, EA, or CTEC compiled P&L Statement
  - Minimum 50% business ownership required
  - 24 or 12-month (P&L) prepared/compiled and signed by a CPA (proof of CPA current state license required, or EA (proof EA currently active on IRS web site), CTEC (proof CTEC currently active on CTEC web site) dated within 30-days of the loan application, representing total business sales and expenses for the time period covered, and
  - The preparer must attest they have prepared the borrower's most recent tax return and provide the borrower's ownership percentage
  - Qualifying income is the net income from the P&L divided by the time period covered (24 or 12-months) multiped by the borrower's ownership percentage.
  - Expenses on the P&L must be reasonable for the industry, SOLVE reserves the right to require additional information.
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation: o
  - Depreciation
  - Depletion
  - Amortization/casualty loss
  -

ALT DOC - IRS FORM 1099

Permitted for borrowers earning 100% commission or for independent contractors

- 1-year or 2-years of 1099s permitted
- 4506-T is required along with a transcript for the 1099s
- One of the following Business expense analysis methods:
  - 90% Net Margin (10% Expense Factor)
  - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer)
- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
  - Checks or a single check stub(s) with YTD totals if available, OR
  - Bank statements (YTD)
- The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than the prior year's earnings.
- The Alt Doc Loan/LTV matrix should be utilized. See the Product Matrix.

ALT DOC – WRITTEN VERIFICATION OF EMPLOYMENT

A written Verification of Employment may be utilized when the only source of earnings is wages/salary. The following criteria apply:

- Two-year history with the same employer is required.
- Completed Fannie Mae Form 1005.

- Minimum credit score:
  - Non-Prime - 660
  - Alt-A - 660
- Primary Residence Only.
- 24-month 0x30 housing history required.
- Paystubs, Tax Returns, 4506-T, or W-2 are not required.
- Eligible for Non-Prime and Alt-A only:
  - Max LTV 80% for purchase/R&T. Max LTV for cash out is 70%.
- Must be completed by Human Resource, Payroll Department, or the company's Officer.
- Two (2) Months of Personal Bank Statements are required to support the WVOE. The bank statemen ts must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- FTHB maximum LTV 70%, no gift funds allowed.
- Borrower(s) employed by family members or related individuals are not eligible.
- Only eligible source of income is limited to Wage/Salary. Supplemental income sources such as rental income are not permitted.
- An internet search of the business is required, with documentation to be included in the credit file to support existence of the business.

ALT DOC - ASSET UTILIZATION

The Asset Utilization loan program is an option for an underwriter to use a Borrower's liquid assets to augment income or loan and product qualification purposes.

RESTRICTIONS

- See SOLVE Matrices for the max LTV.
- Non-occupant co-borrowers are not allowed.
- Max 50% DTI.
- Minimum 660 credit score.
- Gift funds are not eligible.

ASSET UTILIZATION QUALIFYING METHOD

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of $1,000,000 or 150% of the loan balance.

Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out-of-pocket closing costs, less required reserves, divided by 84 months.

ASSET UTILIZATION INCOME DOCUMENTATION

- All individuals listed on the asset account(s) must be on the Note and Mortgage.
- Assets considered for this program must be verified with the most recent three (3) months of account statements or a VOD.
- Assets must be seasoned 120-days.
- Income other than Asset Utilization must be documented in accordance with the Alt-A program, including tax returns and 4506-T.

ASSETS ELIGIBLE FOR DEPLETION

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:

- 100% of Checking, Savings, and Money Market Accounts
- 75% of Stocks, Bonds, and Mutual Funds.
- 70% of Retirement Assets.

ASSETS INELIGIBLE FOR DEPLETION

- Equity in Real Estate.
- Privately traded or restricted/non-vested stocks.
- Any asset which produces income is already included in the income calculation.
- Any assets held in the name of a business.
-

DSCR – DEBT SERVICE COVERAGE RATIO LOANS

For Debt Service Coverage documentation, property income is used to qualify the transaction. Debt Service Coverage is available to experienced investors purchasing or refinancing investment properties for business purposes. The borrower must sign a Borrower Certification of Business Purpose and an Occupancy Certification.

PROPERTY INCOME ANALYSIS

Gross rents are utilized in the DSCR calculation. Gross rents are the lower of the actual rents from lease agreement(s) and market rents from either Fannie Mae Form 1007 or Form 1025 in the case of a multi-family property.

If the lease agreement reflects higher rents than Form 1007, the lease amount may be used for gross rents if two (2) months' proof of receipt is verified.

- If the lease agreement exceeds 125% of market rent, additional documentation will be required to use higher rents at the lender's discretion.

If the property is a short term rental and generates more income than market rent, the following documentation will be required:

- A minimum of a 12-month look back from a management company, Airbnb, VRBO, Booking, or other reputable rental agency platforms.

The gross rents indicated on Form 1007 may be used without a lease agreement for purchase transactions without an existing lease.

DEBT SERVICE COVERAGE RATIO (DSCR)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA of the subject property.

Interest Only – Borrower may qualify with ITIA payment to determine DSCR Ratio.

See the SOLVE Eligibility matrix for required Debt Service Coverage Ratios.*EXAMPLE: DEBT SERVICE COVERAGE RATIO*

- Single-Family Purchase Money Transaction
- Monthly PITIA = $650
- Estimated Monthly Market Rent (Fannie Mae Form 1007) = $850
- Existing Lease Monthly Rent = Not Available
- Use Market Rent of $850 (*Estimated Monthly Market Rent when a lease is unavailable for a purchase transaction*).
- Gross Rents ($850) ÷ PITIA ($650) = DSCR (1.30)

LEASE DOCUMENTATION REQUIREMENTS

PURCHASE

- Fannie Mae Form 1007, if applicable.
- Existing lease agreement(s), if applicable.
- If the existing lease is being transferred to the borrower, the Originator must verify that it does not contain any provisions that could affect the first lien position of the subject property.

REFINANCE

- Fannie Mae Form 1007, if applicable.
- Copy of the existing lease agreement(s) if the appraisal report reflects that the property is tenant-occupied.
- If there is a new lease, a copy of the lease must be included, along with proof of receipt of the damage deposit and the first month’s rent.
    - If the lease agreement is greater than 1007, two months of proof of rent received is required.
- If the subject property is leased on a short-term basis utilizing an online service such as Airbnb; 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 online service document receipt of rental income. In addition, a screenshot of the online listing must show the property is activity marketed as a short-term rental. A 5% LTV reduction is required when using short-termrental income to qualify.
- Unleased or vacant property is allowed if the subject was vacant due to having undergone renovation or rehab recently, to rent out soon. Support must be provided via the appraiser confirming recent work and providing visual evidence.
    - DSCR must be greater or equal to 1
    - Long-term rents using 1007 only
    - Max LTV/CLTV 70%
    - Short-term rentals are not allowed and would require an exception from an investor

BORROWER INVESTOR EXPERIENCE

EXPERIENCED INVESTOR

Applicant must have at least twelve (12) months of experience owning incoming-producing real estate within the most recent thirty-six (36) months from the Note date.

FIRST-TIME INVESTOR

A borrower that does not meet the Experienced Investor criteria. First-time investors are permitted with the following restrictions:

- Minimum DSCR 1.0

- Fico score of 700
- FTHB not allowed
- Minimum reserves of 12 months.
- A Minimum of 36-months of seasoning from any credit event

HOUSING HISTORY

- VOM/VOR is ONLY required on the subject property (if a refinance) and the borrower's primary residence

CASH-OUT PROCEEDS

- Cash-out proceeds may only be used for business purposes. LOE is required on all transactions.

MINIMUM DSCR

All investors develop their own minimum DSCR. Please see the investors matrix for Specific restrictions.

BORROWER INCOME

- No proof of borrower income is required.
- The employment section of the Fannie Mae Form 1003 loan application should be completed, including a valid phone number. No further verification is required.

RENT LOSS INSURANCE

Rent loss insurance covering six (6) months is required for the subject property.

DEFAULT EVENT

If a loan payment is delinquent for 60 days, SOLVE's loan servicer will enforce the following provision from the 1-4 Family Rider (Fannie Mae Form 3170): Paragraph "G" - Assignment of Leases.

AGE OF DOCUMENTS

Appraisal and title is valid for 120 days from the note date. 1004D recert of value is allowed and must comply with Fannie Mae guidelines.

Credit, Income, and assets are valid for 90-days from the note date.

PRIORITY

ITIN – MUST BE SENT TO INVESTOR ON EXCEPTION BASIS ONLY

ELIGIBLE BORROWERS

ITIN or SSN Required. Must have 4 years of U.S. work history. The borrower does not have a legal US residency status.

FIRST-TIME HOME BUYER

FTHB is an applicant who has not owned a residential property in the past 3 years. If multiple borrowers are on the applicant, and one borrower is not an FTHB, then this section does not apply. All applicants must be FTHB for this section to apply. Restrictions:

- 680 Minimum Credit Score
- >40% DTI 300% max payment shock, <=40% DTI payment shock does not apply
- Living rent-free is not eligible. Must have a rental history.

NON-OCCUPANT CO-BORROWERS

Blended ratios are allowed using one of the following options:

Option 1:

- If an occupying borrower has a DTI below 60%, no combined DTI restriction or
- Occupying borrower DTI is greater than 60% but less than 75%. Combined DTI cannot exceed 40% and The occupying borrower must contribute a minimum of 5% of the down payment from occupying the borrower's funds and
- 50% of the reserve requirement must come from the occupying borrower's funds.

Option 2:

- True blended ratios are allowed if LTV/CLTV <= 70%
- No restriction on occupant downpayment or reserve contributions.

NON-ARMS LENGTH

The following Non-Arms Length transactions allowed

- Primary residence only.
- Sale or transfer between family members (transaction cannot be a bailout). VOM required on the subject property.
- Property seller acting as their own real estate agent.
- Borrower purchasing from their current landlord. Canceled checks or bank statements are required to verify satisfactory rental history.
- The borrower is related to the realtor or loan officer representing them only.

CREDIT SCORE

Minimum fico score 660

HOUSING PAYMENT HISTORY

- 1x30x12 no restrictions
- 0x60x12 allowed via exception with the following restrictions: 70% max for purchase and R&T. 60% for cash out. Exception pricing will aplpy
- Greater than 0X60 ineligible.

MAJOR CREDIT EVENTS

Three (3) year seasoning is required on all major credit events. Seasoning is measured from the date of the credit event to the note date.

CREDIT REPORT SECURITY FREEZE

Credit report indicating freeze is not allowed. Report must disclose all current liabilities with no regard to frozen credit.

CREDIT HISTORY

Primary wage earner ONLY must meet tradeline requirement.

- Option 1 – At least three (3) tradelines reporting for a minimum of 12 months, with all three having activity in the last 12 months. Accounts must be open.
- Option 2 – At least (2) tradelines reporting for a minimum of 24 months, with both having activity in the last 12 months. Accounts must be open.
- Option 3 – No fewer than 8 tradlines are reporting:
    - One of which be a mortgage or rental history.
    - One tradeline must be open and reporting for a minimum of 12 months.
    - The borrower has established credit history for 8 years.

WORK HISTORY

Primary wage earner must have a minimum of four years of continuous work history in the U.S.

DOC TYPES

Follow all normally allowed doc types