

SERIES H-NON-QM AND DSCR GUIDELINES

EFFECTIVE 1-30-25



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INTRODUCTION

Solve Mortgage was organized in the State of California and is a licensed mortgage lender. Our Corporate headquarters are located at 5016 N. Parkway Calabasas, Suite 200, Calabasas, CA 91302.

The business we generate is primarily through relationships with Mortgage Brokers. We promote customer relationships and have elected to recruit and hire a team of mortgage professionals with existing relationships and are seeking to work for a company with a strong back-end support system and experienced operations and secondary market acumen.

FAIR LENDING STATEMENT

SOLVE Mortgage believes making a loan to a borrower is more than just a business transaction. SOLVE Mortgage wants to make loans that are good for the borrower as well as compliant with the housing industry laws and regulations.

Steps taken to ensure compliance with responsible lending practices include but are not limited to:

- Spot checks during Production which may occur at any time.
- Validation during the closing process regarding correct disclosures, LE, fees, etc. to comply with RESPA requirements are completed during process.
- HMDA reporting is completed as required and reviewed periodically throughout the year to ensure no negative or predatory trends are emerging.
- Training calls and emails as noted in this plan are utilized to communicate requirements.

RESPONSIBLE LENDING STATEMENT

The primary focus of this lending program is the borrower's ability to repay the mortgage obligation. Loans originated or purchased by SOLVE Mortgage should be affordable to the borrower in his or her pursuit of homeownership.

Under the general Ability-to-Repay (ATR) standard, SOLVE Mortgage must make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. SOLVE Mortgage must verify information using third-party records that provide reasonably reliable evidence of income or assets.

If a loan is subject to the ATR rules under the Federal Truth in Lending Act ("TILA"), SOLVE Mortgage must consider eight underwriting factors to comply:

- Current or reasonably expected income or assets (other than the value of the property that secures the loan) that the consumer will rely on to repay the loan.
- Current employment status (if you rely on employment income when assessing the consumer's ability to repay)
- Monthly mortgage payment for this loan. You calculate this using the introductory or fully indexed rate, whichever is higher, and monthly, fully amortizing payments that are substantially equal.
- Monthly payment on any simultaneous loans secured by the same property.
- Monthly payments for property taxes and insurance that you require the consumer to buy, and certain other costs related to the property such as homeowner's association fees or ground rent.
- Debts, alimony, and child support obligations
- Monthly debt-to-income ratio or residual income, that you calculated using the total of all of the mortgage and non-mortgage obligations listed above, as a ratio of gross monthly income
- Credit history

SOLVE Mortgage will not fund a loan subject to the ATR requirement under TILA unless it meets the requirements of the rule. Certain loans may be exempt from TILA or otherwise exempt from the ATR rule. In those cases, though SOLVE Mortgage may choose to fund a loan that does not adhere to the formal requirements of the ATR rule, SOLVE



Mortgage will only fund loans that the applicant appears able to afford based on application of prudent underwriting standards.

ZERO TOLERANCE FRAUD

All employees, independent contractors, brokers and lender partners of SOLVE Mortgage are fully responsible for the content and quality of each application and all data on those applications taken and submitted to SOLVE Mortgage

The price paid by those who participate in or are impacted by loan fraud is even more costly, impacting borrowers, family members, neighborhoods, and the nation's overall economy. If a borrower cannot legitimately qualify for a loan or afford a particular property, you are not providing them with a service by encouraging or enabling them to buy a property they cannot afford and may ultimately lose to foreclosure. Closing a loan for a borrower, without verifying they can afford it, is considered predatory lending.

Some of the potential consequences that may be incurred by an employee or company found or suspected of being a participant in a fraudulent loan transaction include:

- Criminal prosecution including time in jail.
- Loss of License(s)
- Loss of lender access due to industry exchange of information between lenders, mortgage insurance companies including submission of information to investors (Fannie Mae/Freddie Mac), police agencies, and state licensing agencies.
- Loss of approval status and potential civil action by SOLVE Mortgage
- Civil action by applicant/borrower or other parties to the transaction

SOLVE Mortgage will not tolerate loan fraud and stands behind the quality of its loan production and expects any of our brokers and employees to do the same. SOLVE Mortgage practices a zero-tolerance policy of any predatory lending, loan fraud and/or misrepresentation. SOLVE Mortgage performs pre-funding as well as post-funding file reviews and data integrity reverification to ensure the loan meets quality standards.

GENERAL PROGRAM INFORMATION

PROGRAMS

SOLVE Mortgage offers a wide variety of programs as described below. These SOLVE Mortgage Non-QM and DSCR Underwriting Guidelines ("the Guidelines") coupled with each of the program matrices for the programs listed below ("Program Matrices") provide the requirements for SOLVE Mortgage to close or purchase a loan.

The Guidelines contain Program overlay sections when the requirements differ; and when the requirements are the same, we defer to the relevant sections of the general Guidelines. Note that where these Guidelines are silent, please defer to FNMA Guidelines.

Programs:

- Alt-A PLUS (Full Doc/Alt Doc)
- Alt-A (Full Do /Alt Doc)
- Alt-A ITIN (Full Doc/Alt Doc)
- Alt-A Super Jumbo (Full Doc/Alt Doc)
- Alt-A 2nd TD

- Foreign National Program
- DSCR Supreme
- Investor DSCR
- DSCR Multi and Mixed (5-10 Units Residential and 2-8 units Mixed Use).

ALTA-A PLUS

The Alt-A Program is designed for the most qualified borrowers from an income and credit standpoint, with less complex transactions. Refer to the ALT-A Plus Matrix for LTVs, minimum and maximum loan amounts, etc.

- When the applicant does not meet all the requirements of the ALT-A Plus Program, refer to the ALT-A Program which offers more flexibility including expanded credit parameters.
- The sections below outline the overlays that apply to the ALT-A PLUS Program; where the Flex Supreme sections are silent, refer to the related section(s) in these Guidelines; and where SOLVE Mortgage is silent defer to FNMA Guidelines.

ALT-A PLUS – SUBORDINATE FINANCING

- Purchase and refinance transactions with new simultaneous 2nd lien are eligible when HCLTV does not exceed max LTV/HCLTV stated in the most restrictive of the 1st or 2nd lien product matrices.
- Refinance transactions with existing 2nd Lien may be re-subordinated. The HCLTV may not exceed 90% on O/O and 85% on a 2nd home, The 2nd lien must be institutional. HELOC line limits may be paid down to meet HCLTV caps. Lines reduced or balances paid down must be fully documented including source of funds.
- Borrowers who currently have a secondary lien with an interest only payment, must be qualified with the fully amortizing payment.

ALT-A PLUS – CASH-OUT TRANSACTIONS

- Minimum of 6 (six) months seasoning from most recent transaction.
- Refinance of an existing Texas 50(a)(6), Texas Section 50(a)(4) and Texas Section 50(a)(3) Loans are ineligible.
 - Not permitted in Declining Markets
 - Refer to the ALT-A PLUS Matrix for other Cash-Out requirements.
 - Refer to the [Ownership Requirements](#) section.

ALTA-A PLUS – INELIGIBLE TRANSACTIONS

- Ineligible for Cash-Out:
 - Cash-out in Declining Market
 - Cash-out on properties listed for sale or purchased in the previous 6 months (measured from the date of application).
- Non-Occupant Co-Borrower for second homes and investment properties
- Non-Arm's Length
- Temporary Buydowns
- Delayed Financing
- Flip transactions (Seller on title < 180 days).
- Refinance of property listed for sale in the last 6 months.
- Refinance of existing Texas Section 50(a)(6), Texas Section 50(f)(2) and Texas Section 50(a)(3) Loans are ineligible.
- Escrow Holdbacks
- A transaction paying off an Installment Land Contract
- Title held in Tenants in Common with unequal ownership.



- Community Land Trusts
- Leasehold Properties

ALT-A PLUS – BORROWER ELIGIBILITY

- Non-Occupant Co-Borrowers are eligible for Owner Occupied only (Refer to Matrix for additional requirements)
- Non-Permanent Resident Aliens (HI-B and L1 Visas only)¹
- First Time Home Buyers (FTHB) – See the ALT-A PLUS Matrix for FTHB Overlays in the Underwriting Requirements section:

¹Refer to ALT-A for greater eligible visa options.

ALT-A PLUS – CITIZENSHIP

- All borrowers must have a valid Social Security number.
- Loans to borrowers who have been issued an Individual Tax Identification Number (ITIN)³ in lieu of a Social Security number are ineligible.
- Foreign Nationals² are ineligible.

²Refer to the Foreign Nationals Program for eligibility.

³Refer to the Select ITIN Program Matrix for eligibility.

ALT-A PLUS – DTI REQUIREMENTS

Refer to the ALT-A PLUS Matrix for standard and FTHB Max DTI requirements.

ALT-A PLUS – CREDIT SCORE REQUIREMENTS

- The highest income earner's mid-score will be used for qualifying purposes.
- Any loan for which one or more borrowers do not have two (2) valid credit scores is not eligible for ALT-A PLUS and can be considered under an alternative Program.

ALT-A PLUS – MINIMUM TRADELINE REQUIREMENTS

All borrowers must meet the minimum tradeline requirements, even if the primary borrower has 3 credit scores. Each borrower must meet the following tradeline requirements (See the ALT-A PLUS Matrix for additional requirements):

- Minimum of 3 traditional tradelines rated for at least 12 months, OR
- 2 tradelines reporting for 24+ months, OR
- 24-month mortgage history reporting on credit report.

Guidance around tradeline eligibility:

- Trades must reflect an acceptable payment history.
- Closed accounts may be used to satisfy the minimum tradeline requirements if payment history is acceptable.
- Deferred accounts (w/o payment history) cannot be used to meet the minimum requirement.
- Borrower(s) who do not meet the requirements above are ineligible.
- If borrower does not have sufficient credit reference in the U.S.¹, foreign credit reference may not be used, and the loan will be ineligible.

ALT-A PLUS – HOUSING/RENTAL HISTORY

- Standard: 0x30x12
- First Time Home Buyers¹: 0x30x24

¹Refer to ALT-A for additional FTHB options.

ALT-A PLUS – LIVING RENT FREE

- Non-First Time Home Buyers are required to have 0x30x12 Housing/Rental History.
- Borrowers living rent-free must meet the following requirements:
 - The rent-free period must be the months directly preceding or during the loan purchase application process.
 - The rent-free period is consecutive and does not exceed 12 months.
 - SOLVE Mortgage obtains an acceptable 12-months rental history for the timeframe immediately prior to the rent-free period.
 - The file contains an acceptable letter of explanation from the borrower.
- Properties owned free and clear are considered 0x30 for grading purposes.
- First Time Home Buyers are required to have 0x30x24 Housing/Rental History – no exceptions.

Borrowers are not considered to have “no housing history” under the following circumstance:

- Borrower(s) who own their primary residence free and clear.
- Borrowers living in the marital home.
- Borrower(s) who sold a primary residence within the past 12 months and are currently residing rent free until subject transaction closes.

ALT-A PLUS – HOUSING AND CREDIT EVENT SEASONING

- Credit Event Minimum Requirements: Borrowers with significant derogatory credit events must meet the following criteria:
 - All borrowers must have reestablished acceptable credit verified after the credit events listed below.
 - Borrowers with unrelated multiple significant credit events are ineligible.
 - Must meet all other ALT-A PLUS requirements.
 - FTHB: requires >= 7 years seasoning from the completion date of a significant derogatory credit event.
- Bankruptcy: 4 years from date of discharge or dismissal to the date of closing for eligibility
- Mortgage Discharged in Bankruptcy: 4 years from date of discharge to date of closing.
- Foreclosure / Deed-in-Lieu / Pre-Foreclosure / Notice of Default / Short Sale / Real Property Settled Debts: 4 years' seasoning after the completion date or the date of notification if NOD.
 - Manufactured housing/mobile home loans indicated as repossessions, collections, or charge-offs are considered foreclosures.
- Loan Modification / Restructured Mortgage loans: 4 years seasoning after the event date to the closing date.
 - Restructured Mortgage loans that resulted in any type of partial forgiveness, principal curtailment, or conversion are ineligible.

ALT-A PLUS – QUALIFYING HELOC PAYMENT

- The fully amortizing payment must be used for qualifying when an interest only HELOC or second lien will be converting to a fully amortized payment within 12 months of the Note date.
- All others refer to the [Secondary/Subordinate Financing](#) section of these Guidelines.

ALT-A PLUS – FULL DOC REQUIREMENTS

2 full years of employment verification is required. If the borrower was in school or military the most recent 2 full years, supporting evidence is required (i.e., transcripts or military discharge papers).

- Projected Income is not permitted.
- K1's - All K-1's must be obtained regardless of the percentage of ownership. Losses must be considered in the qualifying income calculation.

ALT-A PLUS – RENTAL INCOME

- Refer to [Rental Income on Tax Returns](#) section.
- Refer to [Rental Income Not on Tax Returns](#) section.
- Purchase of Owner-Occupied 2–4-Units: rental income may be used to qualify the borrower when all the non-owner-occupied units are rented under a current lease. If any units are vacant, then rental income is ineligible.
- Rental Income on a departure residence is not permitted.
- Short Term Rental
 - Full Doc Only (2-years rental income history from 1040 with Schedule E)
 - Evidence of the most recent 12 months' receipt of income with an acceptable payment receipt history from a management company.
 - Income Calculation:
 - Average of the most recent 24 months (Schedule E) of rental income is required.
 - Income does not need to be received for consecutive 12-month periods to be considered for qualifying.
 - Stability of rental income must be evident year-to-year and year- to-date.
 - AirDNA is not permitted.

ALT-A PLUS – ALT DOC - ASSET UTILIZATION

- Asset Utilization may not be used as supplemental income to other primary source of income.¹
- Qualified Assets must be seasoned for a minimum of three (3) months and evidenced with 3 months of most recent asset/bank statements.
- Refer to the [Eligible Assets](#) section.
- Monthly Income Calculation:
 - Net Qualified Assets / 84 Months.
- Restrictions:
 - Cash-out transactions are ineligible.
 - Max LTV must be reduced by 10%.
- Ineligible Asset Sources:
 - Business assets.
 - Unseasoned Foreign Assets.
 - Proceeds from the sale of real estate which is not seasoned for a minimum of 3 months.
 - Privately traded or restricted / non-vested stocks.
 - Assets which produce income already included in the income calculation.

¹Refer to ALT-A for added flexibility and options related to Asset Utilization.

ALT-A PLUS – ASSETS - VERIFICATION AND SOURCING OF FUNDS

- All funds must be documented with a minimum of one (1) most recent bank statement covering the past 30-days or most recent quarterly statement.
 - For Earnest Money Deposits (EMD) made more than two (2) months prior to loan application, borrower(s) must provide a copy of the EMD cancelled check (front/back) and an electronic account activity printout of the period during which the EMD was debited from the account.



- Evidence of liquidation of funds necessary for closing must be provided in the closed loan package.
- A verification of deposit (VOD) form is acceptable if accompanied by a minimum of one full month's bank statement.
- All funds from accounts opened for 90 calendar days or less, must be sourced if used for down payment, closing costs, or reserves.
- See [Flex ALT-A PLUS - Business Assets](#) for eligibility.

ALT-A PLUS – BUSINESS ASSETS

- Business Assets may be used when the Borrower(s) on the loan have 100% ownership; or a borrower has 50% ownership, and their spouse has 50% ownership regardless of whether the spouse is a borrowing or non-borrowing spouse.

ALT-A PLUS – GIFT FUNDS

- Gift funds are eligible for down payment and closing costs when a borrower has met the following requirements:
 - Permitted on 1-unit properties only, provided the borrower meets the minimum contribution:
 - 5% primary
 - 10% second home
 - 100% of down payment and closing cost may come from gifted funds for OO and SH to 75% LTV.
 - Gift funds are not permitted to be used towards reserves.
 - First-time home buyers are eligible provided all First-time home buyer requirements are met.
 - 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.
 - Gift funds must be evidenced by a fully executed gift letter, evidence of donor's ability, and evidence that borrower has received the funds as outlined in the [Gift Funds](#) section.
 - Gifts of equity are ineligible.
 - Gift funds for the purpose of paying off or reducing debt prior to or during the loan transaction would be considered eligible gift funds, provided all gift fund criteria are met.

ALT-A PLUS – FOREIGN ASSETS

- All assets considered in the transaction must be located in US bank accounts. Funds in financial institutions located outside of the US will not be eligible for reserves.
- Follow the Asset Seasoning in US bank accounts in the [Non-Permanent Resident Alien – Asset Requirements](#) section.

ALT-A PLUS – RESERVES

- Refer to the ALT-A PLUS Matrix for reserves requirements.
- Cash-out proceeds may be used to satisfy reserves.
- Gift funds may not be used to satisfy reserves.
- Borrowers owning multiple financed properties require an additional 2 months of the subject properties PITIA in total (not per additional REO).

ALT-A PLUS – PROPERTY ELIGIBILITY

- See the ALT-A PLUS Matrix for eligibility.

ALT-A

- Follow all general ALT-A Non-QM Guideline sections and the related matrices.

ALT-A EXPRESS DU OPTION

GENERAL REQUIREMENTS (DU)

- Use of Desktop Underwriter (DU) as permitted only with the ALT-A program.
- Eligible DU Findings – Approve/Eligible and Approve/Ineligible. Ineligible results are only permitted for items such as loan size, LTV limits, loan purpose or feature, i.e., Interest Only). DU cannot be ineligible for a credit event or due to risk factors.
- Credit score used to qualify is the score from the primary income earner.
- Extenuating circumstances for derogatory credit are not eligible, i.e., cannot instruct DU to disregard information on credit report(s) to receive an Approve/Eligible.
- Solve Mortgage negotiated criteria/variances with Fannie Mae are not eligible.
- Housing history must be 0x30x12.
 - Note that while DU may waive the requirement for a rental history on certain DU casefiles, documentation is still required to support a 0x30x12 history.
 - It is permissible to allow the waiver of cancelled checks for private party VORs when permitted per DU.
 - For borrowers living rent free, refer to the [No Housing History or Less Than 12 Months Verified](#) section of these Guidelines.
- Non-Delegated Correspondents are responsible for providing the AUS/DU Findings with their loan submission.
- Exceptions are not permitted.

INCOME AND DTI REQUIREMENTS (DU)

- Max DTI: 50%
- Must meet the income documentation standards of the published eligible products, income options not eligible for the following:
 - P&L Only
 - One Year Self Employment option for licensed professionals

NON-OCCUPANT CO-BORROWER (DU)

Non-occupant co-borrowers are allowed provided the following requirements are met:

- Primary occupancy only
- Purchase and rate/term only (non-occupant must be on the current mortgage for a rate/term refinance)
- Non-occupant co-borrower must be a relative
- Max 90% LTV
- Blended Ratios are permitted to a max of 50% DTI.
- When using Express DU, the occupying borrower and non-occupant co-borrower ratios may be blended.
- Max loan amount \$1,000,000
- Use the primary wage earners score, whether it be the occupant or the non-occupying coborrower.

RESERVE REQUIREMENTS (DU)

See the Express (DU) reserve requirements in the ALT-A Program Matrix

APPRAISAL REQUIREMENTS (DU)

- Appraisal waiver not eligible

- All files must include a standard appraisal and review product, or two (2) appraisals based upon loan amount.

SUPER JUMBO

Refer to Super Jumbo Program Matrix for LTVs, minimum and maximum loan amounts, appraisal requirements, etc. The sections below outline the overlays that apply to the Super Jumbo Program.

Note: Super Jumbo loans with strong compensating factors, requiring exceptions, must go through the standard exceptions process which includes credit committee review. Turnaround time averages seven (7) business days.

SUPER JUMBO – MINIMUM CREDIT SCORE REQUIREMENTS

- **Min Score:** 720 for all borrowers on the loan.

SUPER JUMBO – CREDIT EVENT SEASONING

- Credit Event Seasoning: > 48 months.

SUPER JUMBO – MAX DTI

- Max DTI: 38%

SUPER JUMBO – OCCUPANCY

- Occupancy: Primary Residence Only.

SUPER JUMBO – HOUSING HISTORY

- Housing History: 0x30x24
 - Borrowers who own their primary residence free and clear are considered to have an acceptable housing history.

SUPER JUMBO – INELIGIBLE BORROWERS

- Ineligible Borrowers:
 - Self-Employed Borrower/Business with < 2 years in operation/production.
 - Non-Occupant Co-Borrowers
 - First Time Home Buyers
 - ITIN

SUPER JUMBO – BANK STATEMENT DOCUMENTATION

- Bank Statement Documentation: Options for Self-Employed Borrower with < 2 years of employment or business operations are not permitted for Super Jumbo.

SUPER JUMBO – ASSET UTILIZATION AND CALCULATION

- Asset Utilization: allowed as supplemental income to primary employment or other source of income when DTI prior to use of assets is <= 50%.

- Asset Utilization Calculation: qualified assets (sourced and seasoned for 3 months) divided by 84 months.

SUPER JUMBO – CASH-OUT LIMITS

- Max Cash-Out (cash in hand): \$1,500,000

SUPER JUMBO – PROPERTY TYPES

- Property Types:
 - SFD/PUD/Condo (Warrantable/non-Warrantable) 1-Unit
 - Max 2 acres
 - Farms/rural properties are not permitted.

SUPER JUMBO – RESERVES

- Reserves:
 - > \$3.5M to \$4.0M: 12 months PITIA
 - > \$4.0M to \$5.0M: 18 months PITIA
 - **See the Super Jumbo Program Matrix**

SUPER JUMBO – GIFT FUNDS

- Gift Funds: Permitted on purchase transactions, after 20% minimum contribution towards down payments, closing costs, prepaids, and reserves are met from borrower's own funds.

SUPER JUMBO – INELIGIBLE TRANSACTIONS

- Express (DU): Not permitted.
- Escrow Waivers: Not permitted. An escrow account for impounds of property taxes, homeowners and all applicable required insurance coverage must be set-up and collected along with the monthly mortgage payments (PITIA or ITIA).

SELECT PRIME 2ND LIEN PROGRAM - NOT OFFERED AT THIS TIME

SECOND LIEN GENERAL REQUIREMENTS

- The following terms are available: 15-year, 20-year, 25 years, 30 years.
- Minimum Loan Amount \$125,000
- Maximum Loan Amount \$500,000
- Primary Residence and Second Homes
- Purchase, Rate/Term Refinance and Cash Out options.
- Not Assumable
- Exceptions are not permitted.
- TPO must be approved to deliver second liens.

SECOND LIEN – HIGH COST THRESHOLDS

SOLVE Mortgage traditionally does not permit and will not originate High-Cost (HOEPA/Section 32) Loans.

On Second Liens only, SOLVE Mortgage will consider a loan that is considered High Cost solely due to exceeding the High Cost APR Threshold, provided the Section 32 Loan Disclosure was provided to the Borrower(s) no later than three (3) days prior to closing.

SOLVE Mortgage will not originate or purchase a second lien when the points and fees test exceeds the 5% limitation. In addition, SOLVE Mortgage will not originate or purchase a second lien that fails any State High Cost test.

Refer to the following sections in these Guidelines:

- [Prepayment Penalties, Points and Fees](#)
- [State and Federal High Cost Loans](#)

SIMULTANEOUS SECOND LIEN WITH AGENCY-ELIGIBLE FIRST LIEN

- The first and second liens close concurrently.
- SOLVE Mortgage must originate both first and second liens in the retail channel. In the TPO channel, evidence of a clear to close on the first lien must be provided prior to SOLVE Mortgage issuing the clear to close on the second lien when SOLVE Mortgage is not originating the first lien.
- If 1st Mortgage is an Adjustable Rate Mortgage, Borrower must qualify using the greater of the fully indexed rate or the Note rate.

STAND ALONE SECOND LIEN

- SOLVE Mortgage closes a second lien behind an existing first lien.
- First lien must meet the eligible first lien parameters listed below.

ELIGIBLE FIRST LIEN PRODUCTS WHEN ORIGINATING A SECOND LIEN

A copy of the first lien note is required to evidence:

- First mortgage is eligible, i.e., copy of DU approval and loan approval for simultaneous transactions.
- Must have a minimum remaining term of five (5) years at time of close (60 payments left).
- Interest Only (I/O) First Mortgage must be qualified at the greater of the fully amortizing P&I payment or Note rate.
- If interest only, the remaining term must be a minimum of five (5) years (60 payments left).
- Financing must not permit the note holder to “call” the loan due within the first five years following the loan closing.
- On a stand-alone second, if the mortgage statement or credit report has sufficient information to determine the payment and the terms, a copy of the first lien note is not required.
- It is acceptable for our Borrower to have legally assumed a first lien mortgage, and apply for a 2nd lien with SOLVE Mortgage, as long as the first mortgage conforms to our eligibility criteria.
- For simultaneous transactions, the following is required in the second lien file:
 - Copies of first lien note and mortgage/deed of trust.
 - Final Closing Disclosure for first lien transaction that corresponds with the final CD for the subject second lien.

INELIGIBLE FIRST LIEN PRODUCTS (BOTH SIMULTANEOUS AND STAND-ALONE TRANSACTIONS):

- A negative amortization feature.

- First with a balloon feature.
- Material modifications (loan amount, interest rate, final maturity, or product structure), regardless of seasoning with the exception of loans modified under a COVID related event meeting the [Modifications and Covid Related Forbearance](#) section.
- Amortization term greater than 40 years.
- Contract for Deed or Contract for Purchase.
- Privately held first lien.
- Loans with provisions prohibiting the placement of additional liens on the subject property.
- Loans with provisions for future advances.
- See related Program Matrix

SECOND LIEN – RESIDUAL REQUIREMENTS

Minimum residual income thresholds apply to HPML loans or when the DTI is > 43% on OO and 2nd homes only using the following calculation:

- 1 person = \$1,500
- 2 persons = \$2,500
- Add \$150 per additional household member.

2-1 TEMPORARY BUYDOWN – NOT OFFERED AT THIS TIME

BACKGROUND

A 2-1 buydown is a mortgage loan option in which SOLVE Mortgage reduces the homebuyer's interest rate for the first two years of the loan. In year one, the interest rate is 2% less than the original note rate. In year two, the interest rate is 1% less. SOLVE Mortgage covers the difference between what the payments typically would be and the adjusted, bought-down rate.

Lender Paid or 3rd Party Buydown (Excluding Real Estate Agents, Brokerages, Borrower, or relatives) are permitted for Correspondent Clients only.

REQUIREMENTS

Minimum eligibility requirements:

- Purchase Transactions only
- Minimum credit score 680
- Max LTV 80%
- Max DTI 50%
- Qualify off full payment (Permanent Note Rate, rather than the terms of the buydown)
- Temporary Buydowns must be considered in the Interested Party Limitations. See [Interested Party Contributions](#) for limitations.
- SOLVE Mortgage Funded buydowns not permitted at this time.
- Lender Paid or 3rd Party Buydown (Excluding Real Estate Agents, Brokerages, Borrower, or relatives) are permitted for Correspondent Clients only.

Other buydown requirements:

- Buydowns are considered a credit and must be disclosed on the LE/CD as such.
- Buydown must be disclosed in the sales contract.
- Buydown is available for all occupancy types.
- Buydown is only available with a 30-year Fixed Rate Term
- Available for **ALT-A and ITIN (Full Doc and Bank Statement only); plus, DSCR (1-4 Units) only.**
- Loans must be locked indicating the buydown.
- An executed buydown agreement between the parties is required in the loan package.
- The Mortgage Instruments must reflect the permanent payment terms, not the terms of the buydown. If the terms of the buydown are reflected, the loan is ineligible for origination or purchase.
- All other terms and details (including Buydown Agreement) must follow [FNMA Guidelines B2-1.4-.04](#).

Ineligible Transactions:

- The Temporary 2-1 Buydown option is not allowed for **DSCR , DSCR Multi & Mixed Use, Foreign National, ALT-A PLUS, Super Jumbo or 2nd Lien.**
- Effective 1/28/2024, the State of Maryland temporary restrictions have been lifted for Business Purpose Loans; restrictions remain in effect for Primary and Second Home loans since 1/20/2025. Refer to the Program Matrices for eligibility.

MORTGAGE INSURANCE

SOLVE Mortgage does not require mortgage insurance on any of our Programs.

PRODUCTS

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
- 5/6 Arm: (2/1/5 Cap Structure)
 - Qualifying Rate (All Doc Types): Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate.
 - Floor Rate: Start Rate
- 15 Year Fixed.
- 30 Year Fixed.
- 40 Year fixed.
 - The borrower qualifies with a DTI of below 50% calculated using the payment under a 40-year amortization, and
 - The borrower qualifies with a DTI of below 55% calculated using the payment under a 30-year amortization.

PRODUCTS – QUALIFYING FEATURES

	QUALIFYING RATE	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	N/A	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	N/A	180	NA	NA
30 YR FIXED	Note Rate	360	N/A	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED	Note Rate	480	N/A	480	N/A	N/A
40 YR FIXED I/O	Note Rate	480*	120	360	NA	NA

Note: Each Program Matrix will indicate which products are available. For additional product parameters, please refer to the applicable SOLVE Mortgage Rate Sheet.

INTEREST-ONLY

Non-DSCR Interest-only loans qualify using the fully amortized payment calculated over the fully amortizing period, based on the greater of the note rate or the fully indexed rate to determine qualifying PITIA. For example, a 40-year loan with a 10-year interest-only period would have a 30-year fully amortizing period. A 30-year loan with a 10-year interest-only period would have a 20-year fully amortizing payment.

DSCR loans will be qualified using the Interest Only payment based on the qualifying payment described below.

- Loan Terms: 360 or 480 Months.
- **5/6:** (2/1/5 Cap Structure)
 - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period
 - Amortization Periods: 20 Year or 30 Year
 - Floor Rate: Start Rate
 - DSCR loans will be qualified using the Interest only payment based on the qualifying rate as described above.
- **7/6:** (5/1/5 Cap Structure)
 - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period
 - Amortization Periods: 20 Year or 30 Year
 - Floor Rate: Start Rate

- DSCR loans will be qualified using the Interest only payment based on the qualifying rate as described above
- 30 Year Fixed.
 - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period followed by 20 Year Amortization.
 - Available on: DSCR Only
 - DSCR Qualifies at the IO payment.
- 40 Year Fixed.
 - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period followed by 30 Year Amortization.
 - DSCR qualifies at the IO payment.

ARM MARGINS

- See Rate Sheet for further details and margins.

LOAN AMOUNTS AND LOAN-TO-VALUES

See the applicable Program Matrix. Loan amounts \geq \$3,000,000 require mandatory second level review by Underwriting Management. Second reviews do not apply to Delegated Correspondents.

AGE OF LOAN DOCUMENTATION

Credit reports must be dated within 120 days of the note date.

Income and Asset Documentation must be dated within 90 days of the note date.

ASSUMABILITY

SOLVE Mortgage Programs do not allow for the subject loan to be assumable.

STATE RESTRICTIONS

- ALL Short Term Rentals, with the exception of Condotels, require evidence from a third-party vendor (such as Property Guard, Vrolio or equivalent), validating that the governing municipality where the subject STR is located allows properties to be rented as STRs; with the exception of the five (5) New York City Boroughs (Manhattan, Brooklyn, The Bronx, Queens and Staten Island), which are ineligible for funding by SOLVE Mortgage.
- ALL: Refer to the [Prepayment Penalty Requirements by State](#) see the Business Purpose Licensing & PPP Restrictions PDF in the Documents Tab of our Client Portal for all state requirements.
- FL: Effective 7/1/2023, Foreign Nationals and Non-Permanent Resident Aliens from the Republic of China are ineligible.
- HI: SOLVE Mortgage, non-licensed state.
- IL: Ineligible only for TRID Loans located in Cook, Kane, Peoria and Will Counties, IL. Restriction does not apply to Correspondents.
- MD:
 - Effective 1/28/2025 new rate locks restrictions in the State of Maryland have been lifted for Business Purpose Loans ONLY; restrictions remain temporarily in place for Primary and Second Home loans since 1/20/2025 as indicated in the Program Matrices.
 - All Row Homes located in Baltimore City are ineligible.
- MS: Ineligible for Second Liens



- NJ: 2nd Liens are ineligible.
- NY:
 - 2nd Liens are ineligible.
 - No 5/6 ARMs on OO loans below the FNMA loan limit.
 - See NY Subprime section for requirements.
 - Short Term Rentals (STRs) are ineligible in the five (5) New York City Boroughs (Manhattan, Brooklyn, The Bronx, Queens and Staten Island).
- TX: 2nd Liens are ineligible; Refinances are not permitted in TX under the Supreme Program.

ALTERNATIVE LOAN PROGRAM ANALYSIS

Loan applications are to be reviewed for possible approval under a traditional conventional conforming or FHA loan program available to the Client. SOLVE Mortgage staff will complete the *SOLVE Mortgage Alternative Program Analysis Form* to ensure borrowers are proceeding under the appropriate loan program.

The following loans are exempt from this requirement:

- Business Purpose Loans
- Foreign National Loans
- Loans qualified using Alternative Documentation

EXCEPTIONS

Exceptions to the Guidelines are considered on a case-by-case basis. Loans with exception requests should exhibit strong compensating factors. All exception requests must be submitted to your SOLVE MORTGAGE Account Executive.

SOLVE Mortgage's decision to allow or deny any exception request relates only to whether SOLVE Mortgage will fund the loan. The decision does not bind a client with respect to the underlying decision. Credit committee may grant a maximum 5% LTV exception but never more than 5% above the grade and never more than the max for the grade.

Exceptions are not permitted for Super Jumbo, DSCR , ALT-A PLUS, ALT-A Express (DU) and Closed End Second Liens.

Top Compensating Factors for Exception Consideration (Package Minimum 2+ of the below)
<ul style="list-style-type: none"> • Significant Gross Disposable Income • DSCR Ratio 1.15% or greater • Significant Reserves (beyond requirements) • DTI well below related Program max • Lengthy & deep credit history with solid performance • Demonstrated capacity to carry a heavy debt load with on time performance • FICO well above related Program minimum with solid performance • LTV well below related Program Max w/ CDA value w/in 5% and C3 condition • Long, Clean Mortgage History • Significant time in the same job

PREPAYMENT PENALTIES, POINTS, AND FEES

Total points, fees, and APR may not exceed current state and federal high-cost thresholds. In addition, with the exception of Investment Property transactions, points and fees may not exceed the lesser of state regulations or 5%.

Prepayment penalties are required on investment property transactions where permitted by applicable local law. Buydown options are available to reduce or remove prepayment penalties. See the appropriate SOLVE Mortgage Rate Sheet for details. Prepayment penalties on primary residence and second home transactions are prohibited.

PREPAYMENT PENALTY (PPP) REQUIREMENTS BY STATE

See the Business Purpose Licensing & PPP Restrictions PDF in the Documents Tab of our Client Portal for all state requirements.

HIGHER PRICED MORTGAGE LOANS (HPML)

Higher Priced Mortgage Loans are permitted with certain restrictions:

- Escrow accounts are required.
- A Full Interior/Exterior Appraisal is required to include a certification from the appraiser indicating that the appraisal was prepared in accordance with the requirements of title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended (12 U.S.C. 3331 ET SEQ.), and any implementing regulations.
- On a purchase transaction, a second appraisal is required if:
 - If the seller acquired the property within the past 90 days and the new purchase price is more than 10% of the seller's acquisition price OR
 - If the seller acquired the property within the past 91 to 180 days and the new purchase price is more than 20% of the seller's acquisition price.
 - The second appraisal must be obtained prior to the note date.
 - The second appraisal must be provided to the borrower (standard delivery requirements apply).
 - The cost of the second appraisal may not be passed along to the borrower.
 - *Note that the timelines are measured from the date the seller became the legal owner of the property and the date the purchase agreement was signed by all parties.*
- If the seller acquired the property through the following methods, a second appraisal is not required:
 - Bridge loans (for 12 months or less),
 - Reverse mortgages,
 - Loans for the initial construction of a dwelling – note that this is for a true construction loan, not for the end loan purchase of a newly constructed property,
 - A local, state, or federal government agency,
 - Through a foreclosure or deed in lieu, or
 - Inheritance or through a dissolution of marriage, civil union or domestic partnership, or through the partition of the seller's joint or marital assets.

STATE AND FEDERAL HIGH COST LOANS

SOLVE Mortgage, Federal does not permit high cost mortgages, with the exception of certain Second Lien loans. See [Second Lien – High Cost Thresholds Section](#) for restrictions and requirements.

In addition, with the exception of loans that comply with New York Subprime regulations, any loan that meets the definition of "high cost", "high risk", "covered", "subprime" or any similar designation under state or local law is not permitted.

States may impose different definitions of points and fees, rate/APR, or prepayment penalties than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a "high-cost mortgage" (or equivalent terms) under state law. As a matter of policy, SOLVE Mortgage does not purchase or

originate 1st Lien loans defined as high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.

NEW YORK SUBPRIME LOANS

- NY Subprime loans will be permitted provided ALL the following requirements are met:
 - Disclosures requirements:
 - *Borrower's Choice of Attorney Disclosure*
 - *Consumer Caution and Homeownership Counseling Notice*
 - *NYSDFS List of Approved Housing Counselors (no signature required)*
 - All of the above must be delivered to the borrower prior to Closing.
 - Signature on the first two (2) documents will be required or if mailed out, evidence of mailing at least three (3) days prior to Closing.
 - Signatures/evidence of delivery must be for all borrowers on the loan.
 - **Mavent:**
 - Loan must NOT fail the **High Cost (NY Part 41)** test. SOLVE Mortgage does not allow NY High-Cost Loans.
 - Loans must NOT fail the **High Cost (NY)** test. SOLVE Mortgage does not allow NY High-Cost Loans.
 - Note, these are two separate Mavent tests.
 - Higher Rate review is where the subprime designation will show up:
 - A fail is permitted for the Fixed Loan > 15 Year Term test (63900)
 - ALL other tests under the Higher-Rate Review must PASS for the loan to be eligible.
 - **Closing Documentation Requirements:**
 - Must include a legend on the top of the mortgage in 12-point/font type stating, ***"This mortgage is a subprime home loan subject to New York's subprime home loan laws."***
 - **Loan Requirements:**
 - Fixed Rate
 - No PPP
 - Escrow impounds for taxes /insurance are required.
 - Refinance loans:
 - ❖ Must have a documented sufficient NTB, AND
 - ❖ Must not be a flip of a loan originated within 6 months, AND
 - ❖ May not pay off a special mortgage guaranteed through a state, tribal or local government, or nonprofit organization, which either bears a below-market interest rate at the time of origination, or has nonstandard payment terms beneficial to the borrower, and where, as a result of refinancing, the borrower will lose 1 or more of the special benefits.
 - **Correspondent Clients:**
 - Must ensure the correct Disclosures are generated with their Disclosure Package. Fillable PDFs of the required NY Subprime Disclosure are posted on the Portal.

ESCROW WAIVERS

Waiving escrows for taxes and insurance* is allowed on non-HPML loans and for the following product types if housing/rental history is 0x30x12:

- Alt-A Plus: O/O and 2nd Homes, 680 Min Score: Up to 80% LTV
- Alt-At: O/O and 2nd Homes, 660 Minimum Score: up to 80% LTV.
- CA: in addition to all of the above, Min Score 700, up to 90% LTV.
- Business Purpose loans: 660 Minimum Score.

Waiver of escrows is not permitted on the following:

- Flood Insurance premiums for properties located in zones A or V.
Note however that taxes and hazard escrows can be waived provided the escrow waiver requirements are met and the loan is priced with an escrow waiver.
- HPML Loans
- Super Jumbo Loans
- DSCR - No Ratio loans
- DSCR – Multi & Mixed (5-10 Units Residential or 2-8 Units Mixed Use)
- Foreign National loans.
- ITIN Borrowers

Note*: Elective flood insurance policies for properties not located within a flood map/zone which do not require flood insurance coverage, are not required to be escrowed.

PRINCIPAL CURTAILMENT

- A curtailment may be applied to refund the overpayment of fees or charges paid by the borrower, in any amount.
- If the borrower receives more cash back than is permitted for cash out refinances, a curtailment to reduce the amount of cash back to the borrower to bring the loan in compliance may be applied however the maximum amount of the curtailment cannot exceed the lesser of \$2,500 or 2% of the original loan amount.

MAXIMUM INTEREST CREDIT

- SOLVE Mortgage allows an interest credit through the 5th of the month.

TRANSACTIONS

OCCUPANCY

Eligible occupancy types are Primary Residence, Second Home, Business Purpose Investment Properties as listed in each Program Matrix.

PRIMARY RESIDENCE

A primary residence (or owner-occupied property) is a dwelling occupied by the borrower as his or her principal residence.

To qualify as a primary residence, the transaction must meet each of the following criteria:

- Property is located in the same general area as the borrower's employment.
- Borrower intends to occupy the subject property for the majority of the year.
- Property possesses physical characteristics that accommodate the borrower's family.

SECOND HOME

A second home is a dwelling occupied by the borrower in addition to their primary residence (may also be referred to as a vacation home). Second homes are restricted to 1-unit dwellings.

Typical second homes should meet the following criteria:

- Be located a reasonable distance away from the borrower's primary residence.
- Must be occupied by the borrower or members of the borrower's family for some portion of the year.

- Suitable for year-round occupancy
- Borrower must have exclusive control over the property.
- Must not be subject to any timeshare arrangements, rental pools or other agreements which require the borrower to rent the subject property or otherwise give control of the subject property to a management firm.

INVESTMENT PROPERTY (BUSINESS PURPOSE)

An investment property (or non-owner-occupied property) is an income-producing property that the borrower does not occupy.

- Retail/Wholesale:
 - Investment loans must be Business Purpose and processed as non-TRID transactions.
 - Business Rider to the Mortgage/Deed of Trust must be executed at closing.
- Correspondent:
 - Loans may be processed as TRID or non-TRID transactions.
- All loans processed as Business Purpose loans must have a Borrower Certification of Business Purpose and Occupancy Certification executed by the Borrower(s).
- Acceptable Business Purpose cash out use:
 - Payoff of debt secured to an investment property.
 - To pay cost of improvements for an investment property.

PURCHASE

A purchase transaction is one which allows a buyer to acquire a property from a seller. A copy of the fully executed purchase contract and all attachments or addenda is required. The lesser of the purchase price or appraised value of the subject property is used to calculate the loan-to-value.

An assignment of the purchase contract is not permitted with the exception of an individual assigning the contract to an entity in which they have ownership.

REFINANCE

Rate/term refinance, cash-out refinance, and debt consolidation transactions are allowed.

BENEFIT TO BORROWER

In keeping with the commitment of responsible lending, all primary residence and second home refinance transactions must have a measurable benefit to the borrower.

When determining the benefit on a refinance transaction, one or more of the following must exist to support the benefit to the borrower:

- Balloon payoff
- Title transfer
- Property retention
- Rate reduction
- P&I reduction
- Debt reduction
- Uncontrolled cash-out

State-specific and/or federal benefit to borrower compliance requirements must be adhered to.



Additional restrictions apply if the new loan refinances an existing loan considered to be a special mortgage. A special mortgage is originated, subsidized, or guaranteed by or through a state, tribal, or local government, or nonprofit organization that either bears a below-market interest rate at the time the loan was originated or has nonstandard payment terms beneficial to the borrower, such as payments that vary with income, are limited to a percentage of income, or where no payments are required under specified conditions.

If the borrower will lose one or more of the benefits of the special mortgage, then both of the following apply:

- SOLVE Mortgage must check that the loan complies with all applicable state and local laws as well as laws associated with the subject special loan program for compliance; and
- SOLVE Mortgage must take special care to ensure a net tangible benefit to the borrower.

RATE/TERM REFINANCE

A rate/term refinance is the refinancing of an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money on the loan.

The mortgage amount for a rate/term refinance is limited to the sum of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens used in their entirety to acquire the subject property (regardless of seasoning)
- The amount of a home equity line of credit in first or subordinate lien position that was used in its entirety to acquire the subject property (regardless of seasoning)
- Any subordinate financing that was not used to purchase the subject property provided:
 - For closed end seconds, the loan is at least six months seasoned as determined by the time between the note date of the subordinate lien and the note date of the new mortgage.
 - For HELOCs and other open-ended lines of credit, the loan is at least six months seasoned and there has been less than \$5,000 in total draws over the past 6 months.

If the most recent first mortgage transaction on the property was a cash-out refinance within the last 6 months, the new mortgage is not eligible as a rate/term and must proceed as a cash-out refinance. Note date to note date is used to calculate the 6 months.

On rate/term transactions, the borrower may only receive cash back in an amount that is the lesser of 2% of the new mortgage balance or \$5,000. Borrowers may pay off debt through the transaction up to the rate/term limits.

DETERMINING LOAN TO VALUE (R/T)

The appraised value is used to determine loan-to-value, regardless of the acquisition date. If the refinance is being completed within six months of a prior refinance, there must be a minimum of 10% savings in payment to demonstrate sufficient benefit to the borrower.

PROPERTIES LISTED FOR SALE (R/T)

- Owner Occupied or Second Home rate and term refinance:
 - The subject property must be taken off the market on or before the application date. The borrower must also confirm in writing the reason for the prior listing and their intentions for the property.
 - Properties listed for sale in the 6 months prior to the application date are ineligible for ALT-A PLUS.



- Investment properties *outside of DSCR No Ratio loans*:
 - The property must be taken off the market prior to closing provided the new loan has a prepayment penalty.
 - If the new loan does not have a prepayment penalty (including when a PPP is not permitted due to state laws), the property must be taken off the market on or before the application date.
 - If the loan is a DSCR No Ratio transaction, the property may not have been listed for sale in the last 12 months prior to the application date.
- On all occupancy types: if the property was listed for sale in the six (6) months prior to the application date, the value will be based on the lesser of the appraised value or the lowest listing price.

CASH-OUT REFINANCE

ELIGIBILITY REQUIREMENTS

- A cash-out refinance is a refinance that does not meet the rate/term refinance definition.
 - A signed Borrower Certification of Business Purpose, disclosing the purpose of cash out, is required for Business Purpose loans.
 - See the related Program Matrices for any further restrictions for cash-out transactions.
- The mortgage amount for a cash-out refinance transaction may include any of the following:
- Existing first mortgage payoff
 - Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
 - The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in Rate/Term Refinance
 - Paying off delinquent real estate taxes (60 or more days past due)
 - The amount of any non-mortgage related debt paid off through closing.
 - Additional cash in hand reflected on the settlement statement.

OWNERSHIP REQUIREMENTS

- On a cash-out transaction, at least one borrower on the new loan must have been on title to the subject property (not a borrower) for at least six (6) months prior to the disbursement date of the new loan, unless one of the following exceptions apply:
- There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
- The delayed financing requirements are met.
- If the property was owned prior to closing by a limited liability corporation (LLC), partnership), or corporation that is majority-owned or controlled by the borrower(s), the time held by the entity may be counted towards meeting the borrower's six-month ownership requirement. Note however if the new transaction is an owner occupied or second home transaction, ownership must be transferred out of the entity's name at/prior to closing.
- If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.
- For DSCR Loans, refer to the [Continuity of Obligation](#) section.

SEASONING

For all cash-out refinance transactions, a minimum of 6 months must have elapsed since the most recent mortgage transaction on the subject property unless otherwise specified in a product section or matrices. The most recent mortgage transaction includes either the most recent purchase of the property or a subsequent refinance of the property. This requirement does not apply in the following situations:

- Delayed Financing
- When buying out a co-owner pursuant to a legal agreement

Note date to note date is used to calculate seasoning requirements.

DETERMINING LOAN TO VALUE (C/O)

For cash out refinances on properties owned ≥ 6 months to < 12 months, the appraised value may be utilized to determine property value (this does not apply to Condotels, or Foreign Nationals Loans). If the new appraised value is more than 120% of the acquisition cost, the appraisal should show signs of recent improvements justifying the increase in value.

If the property was acquired ≤ 6 months, cash out is only permitted for Delayed Financing.

Condotels and Foreign Nationals require the lesser of the current appraised value or previous purchase price plus documented improvements to be used when determining LTV on properties acquired in the most recent 12 months.

PROPERTIES LISTED FOR SALE (C/O)

- Owner Occupied or Second Home cash-out refinance:
 - The subject property must be taken off the market on or before the application date.
 - The borrower must also confirm in writing the reason for the prior listing and their intentions for the property.
 - Properties listed for sale 6 months prior to the application date are ineligible for ALT-A PLUS.
- Investment properties *outside of DSCR No Ratio loans*:
 - The property must be taken off the market prior to closing provided the new loan has a prepayment penalty.
 - If the new loan does not have a prepayment penalty (including when a PPP is not permitted due to state laws), a cash out refinance is not permitted. The loan must be completed as a rate and term refinance.
 - If the loan is a DSCR No Ratio transaction, the property may not have been listed for sale in the last 12 months prior to the application date.
- **On all occupancy types:** if the property was listed for sale in the six (6) months prior to the application date, the value will be based on the lesser of the appraised value or the lowest listing price.

CASH-OUT LIMITS

- See the related Program Matrices for cash out limits.

DELAYED FINANCING (CASH-OUT)

Cash-out on properties purchased by the borrower with cash and owned less than 6 months is allowed. The following requirements apply:

- Original transaction was an arm's-length transaction.

- Settlement statement from purchase confirms no mortgage financing is used to acquire subject with the exception of instances in which the borrower has obtained a short term and/or hard money type loan which is being paid through proceeds. A copy of the note is required to verify the terms.
 - Note that in Texas on an owner-occupied transaction, delayed financing is only permitted when the property was purchased entirely in cash; the payoff of a short term and/or hard money loan is not permitted.
- Source of funds used for purchase are documented, such as bank statements, personal loan documents, or a HELOC on another property. If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured to another property), the settlement statement for the refinance transaction must reflect that all cash out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Note that funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new loan.
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan.
- Delayed Financing is not permitted on ALT-A PLUS.

DETERMINING LOAN TO VALUE

For properties owned between (6) to (12) months, the appraised value may be utilized to determine property value with some restrictions. (This does not apply to Condotel or Foreign Nationals Loans):

- The loan amount may not exceed 100% of the acquisition cost plus documented improvements, or
- The new appraised value may not exceed 120% of the acquisition cost.

If the property was acquired ≤ 6 months from application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.

PROPERTIES LISTED FOR SALE

- If the property was listed for sale within six (6) months prior to the application date, the lesser of all the recent list prices or the current appraised value will be used to determine loan- to-value.

FLIP TRANSACTIONS

When the subject property is being resold within 180 days of its acquisition by the Seller with more than a 20% increase in value, the transaction is considered a “flip”. To determine the 180-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction including but not limited to the spouse of the Seller or Borrower being the Realtor on the transaction.
- No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignments of the contract to another buyer.



- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained.
- If the value of the property being purchased after being rehabbed appraises at more than 20% of the seller's acquisition cost and the 6-months seasoning requirement is not met, one (1) full interior/exterior appraisal and a Clear Capital Desk Review is required, unless the loan is an HPML Purchase Transaction in which case the below requirement applies.
- HPML Purchase Transactions
 - On a purchase transaction, a second appraisal is required if:
 - If the seller acquired the property within the past 90 days and the new purchase price is more than 10% of the seller's acquisition price OR
 - If the seller acquired the property within the past 91 to 180 days and the new purchase price is more than 20% of the seller's acquisition price.
 - The second appraisal must be obtained prior to the note date.
 - The second appraisal must be provided to the borrower (standard delivery requirements apply).
 - The cost of the second appraisal may not be passed along to the borrower.
 - Note that the timelines are measured from the date the seller became the legal owner of the property and the date the purchase agreement was signed by all parties.
- Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at: <https://www.consumerfinance.gov/rules-policy/final-rules/appraisals-higher-priced-mortgage-loans/>. If the seller acquired the property through the following methods, a second appraisal is not required:
 - Bridge loans (for 12 months or less),
 - Reverse mortgages,
 - A local, state, or federal government agency,
 - Through a foreclosure or deed in lieu, or
 - Inheritance or through a dissolution of marriage, civil union or domestic partnership, or through the partition of the seller's joint or marital assets.
- Properties being resold by the seller within 180 days of acquisition are not eligible for ALT-A PLUS.

NON-ARM'S LENGTH TRANSACTIONS

Non-arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan.

Examples of non-arm's length transactions include, but are not limited to, the following:

- Family member sales
- Renters purchasing from current landlord.
- Buyer trading properties with the seller
- Property seller foreclosure bailouts
- Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer.

Non-arm's length transactions are subject to all of the following requirements for Primary Residence, Second Home and Investment Properties:

- Relationship must be fully disclosed.
- Borrower to provide a written explanation stating relationship to the seller and reason for purchase.
 - Letter is not required when a borrower is purchasing the property they have been residing in, i.e., lease purchase or tenant-purchase situations.
- Borrower to provide a copy of the canceled earnest money check paid to the property seller.
- SOLVE Mortgage must be satisfied that the transaction makes sense.
- All liens on title must be paid in full and reflected on the settlement statement.
- Lesser of sales price or current appraised value to be used to calculate the LTV.



- Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)
- Borrower may not be the owner of a business entity selling the subject property.

The following additional requirements apply only to family sales:

- Verification that the borrower has not been in title to the property in the past 24 months.
- Payoff statement for the subject property may not show any signs that the transaction is a bailout.
- Gift of Equity is permitted on Primary Residence. See the [Gift of Equity](#) section in this Guide.

Non-Arm's length transactions are not eligible for ALT-A PLUS.

INHERITED PROPERTIES AND PROPERTY BUYOUTS

Refinances of inherited properties and properties legally awarded to the borrower (divorce, separation, or dissolution of a domestic partnership) are allowed. If the subject property was acquired < 12 months prior to loan closing, the transaction is considered a cash-out.

These transactions are subject to the following:

- Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained.
- Equity owners must be paid through settlement.
- Subject property has cleared probate, and property is vested in the borrower's name.
- Current appraised value is used to determine loan-to-value.

LAND CONTRACT/CONTRACT FOR DEED

When the proceeds of a mortgage transaction are used to pay off the outstanding balance on a land contract that was executed more than 12 months prior to the date of the loan application, the transaction is considered rate/term refinance.

If the land contract was executed within 12 months of the date of the loan application, the transaction is considered a purchase.

The following requirements apply:

- Primary Residence only when the land contract is unrecorded. Second Homes and Investment Homes are permitted only when the Land Contract has been recorded for a minimum of 12 months prior to closing on the new transaction.
- Copy of fully executed land contract and payoff(s) to be obtained.
- Copies of canceled checks for 12 months (or term of the lease if less) as evidence of timely payments
- If the land contract was executed less than 12 months ago, the borrower's previous housing payment history must also be verified to complete a completed 12-month history.
- Liens on title to be paid in full and reflected on settlement statement at closing.
- If the contract was executed less than 12 months ago, the lesser of the purchase price or the current appraised value must be used to determine LTV. The current appraised value may be used to determine LTV if the land contract was executed over 12 months ago.
- Cash-out and non-arm's length transactions not eligible
- If the Land Contract was recorded it is not considered a Non-Arm's Length Transaction.
- If they have been in the Contract for Deed agreement for more than 12 months, the borrower will not be considered a FTHB.
- Land Contracts are not permitted on ALT-A PLUS.

LEASE WITH PURCHASE OPTION



Lease with purchase option transactions is allowed for primary residences only. Borrowers may apply a portion of the rent paid to their down payment requirements. See [Rent Credit for Lease with Purchase Option](#) for detailed requirements.

For lease with purchase option transactions, the file must contain:

- Copy of fully executed rental/purchase agreement verifying monthly rent and the specific terms of the lease; and
- Copies of canceled checks for 12 months (or term of lease if less) as proof of rental payments
- If they have been in the lease purchase agreement for more than 12 months, the borrower will not be considered a FTHB.

PERMANENT FINANCING FOR NEW CONSTRUCTION

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the borrower to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

When a refinance transaction is used, the borrower must have held legal title to the lot before he/she applied for the construction financing and must be named as the borrower for the construction loan.

A construction-to-permanent transaction may be closed as a purchase, rate/term refinance or cash-out refinance. All construction work must be complete. See [New Construction](#).

- For lots owned ≥ 12 months from application date for the subject transaction, LTV is based on the current appraised value.
- For lots owned < 12 months from application date for subject transaction, LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot).

NEW YORK CEMAS – NOT ALLOWED AT THIS TIME

Consolidated Extension and Modification Agreement (CEMA) may be utilized for refinance transactions secured by property located in the state of New York. SOLVE Mortgage approved Attorneys must be used to review and prepare CEMA documentation on wholesale and retail transactions. Please see SOLVE Mortgage Approved New York Attorney List. Correspondents are responsible for utilizing attorneys with expertise in reviewing and preparing CEMA documents.

USE OF FOREIGN NOTARIES FOR CLOSING

Documents signed outside of the United States must be notarized by a US embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention: <https://travel.state.gov/content/travel/en/International-Parental-Child-Abduction/abductions/hague-abduction-country-list.html>

Model Apostille forms can be found on the following link: <https://www.hcch.net/en/instruments/specialised-sections/apostille>



TEXAS HOME EQUITY LOANS

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. **Texas 50(a)(4)** allows for a rate or term refinance of an existing Texas Home Equity loan. All Texas Home Equity transactions must comply with the more restrictive of these Guidelines or Texas Home Equity Loans Requirements.

Texas 50(a)(6) transactions are not eligible for ALT-A PLUS.

SELLER CERTIFICATION

The broker certifies that with respect to all the Texas Section 50(a)(6) mortgages delivered to SOLVE

Mortgage:

- All Texas Section 50(a)(6) mortgages were (or will be) originated pursuant 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 amended from time to time.
- The seller has in place a specific process for the receipt, handling, and monitoring of notices from borrowers that seller failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages. Such a process must be adequate to ensure that the seller will correct the failure to comply by one of the authorized means no later than the 60th day after the date the seller is notified of the failure to comply by the borrower.
- An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted prior to 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.
- To ensure ongoing compliance with the law applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages will be reviewed by the seller regularly and will be updated and revised, as appropriate pursuant to clarifications of the law, on a regular and continual basis.
- The seller certifies that it is lawfully authorized to make loans described by Section 50(a)(6), Article XVI, of the Texas Constitution.
- The matters certified herein are representations and warranties of the seller given to SOLVE Mortgage connection with each Texas Section 50(a)(6) mortgage.

GENERAL REQUIREMENTS

The following parameters apply to Texas Section 50(a)(6) mortgages:

- Eligible Products:
 - 40 Year Fixed Rate Term (Fully amortizing)
 - 30 Year Fixed Rate Term (Fully amortizing)
- Full Documentation, 1099, P&L Only, P&L with a minimum of two (2) months Bank Statements, Personal Bank Statement, Business Bank Statement and Asset Utilization Documentation allowed.
- Maximum LTV/CLTV 80/80%
- 1-unit properties only

LOAN PARAMETERS

The following are considered Texas Section 50(a)(6) loans:

- Loans using proceeds to pay off an existing 50(a)(6) loan (as identified in title work)
- Loans using proceeds to pay off federal tax debt liens.
- Loans using proceeds to pay property tax liens on the property securing the new loan.



- Loans using proceeds to pay off or pay down debts that are not secured by the homestead property.
- Loans with any cash back to the borrower

The following are NOT considered Texas Section 50(a)(6) loans:

- Loans using proceeds to pay current taxes due on the property securing the loan.
- Loans using proceeds to buy out equity pursuant to a court order or agreement of the parties (usually applies to a divorce settlement)
- Loan proceeds used to pay a prepayment penalty assessed on an existing non-50(a)(6) loan, and the prepayment is included in the payoff amount (new loan must have a new title policy issued without exception to the financing of the prepayment fee)
- Loans that include the payment of HOA dues if the title company requires them to be paid.
- NOO loans in Texas and Business purpose loans (DSCR) Note SOLVE Mortgage will do NOO properties in Texas.

RESTRICTIONS

The following restrictions apply to Texas Home Equity loans:

- Texas Home Equity loans may not be refinanced more than once a year (>12 months)
- There can be only one outstanding 50(a)(6) loan on a property at any given time.
- If the borrower has an existing 50(a)(6) second lien and is getting cash-out from the first mortgage, that lien must be paid off.
- The 50(a)(6) loan may not be used to acquire the property or to finance construction.

OCCUPANCY

Texas Home Equity loans are allowed on primary residences only. All borrowers on the loan must be in title and occupy the subject property as their primary residence.

Cash-out transactions are permitted on 2nd homes and investment properties in Texas as long as they were never previously Texas A6 loans.

BORROWERS

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

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens

The following borrowers are not allowed:

- Co-signer(s)
- Non-occupant co-borrowers
- Borrowers not on title
- Foreign Nationals
- Corporations, partnerships, or LLCs
- Trusts

NON-BORROWING SPOUSE

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

- Notice Concerning Extension of Credit and an application signed by all property owners. The signing of both documents starts the 12-day “cooling off” period.
- 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 (English or Spanish). The signing of both documents starts the 12-day 'cooling off' period.
- Notice of Presentment of CD One 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

REFINANCING AN EXISTING HOME EQUITY LOAN

Effective for loans made on or after 1/1/18, existing home equity loans (as identified in title work) may be refinanced as non-home equity loans and secured with a lien against the home, provided the following conditions are met:

- The refinance occurs at least a year after the home equity loan was closed.
- The additional loan amount only covers the actual costs of the refinancing and does not provide the consumer with additional funds.
- the value of the new loan combined with the total of the outstanding principal balances of all other valid indebtedness secured by the homestead does not exceed 80% of the fair market value of the homestead on the date the extension of credit is made; and
- SOLVE Mortgage provides the homeowner the written notice (required by and promulgated under Section (f)(2)(D) and referenced below) on a separate document no later than the third business day after the date the owner submits the loan application and at least 12 days before the closing of the refinance.

The 'Notice Concerning Refinance of a Texas Home Equity Loan Pursuant to Subsection (f)(2) of Article XVI, Section 50 of the Texas Constitution', must be provided to the owner:

For loans refinancing an existing home equity loan, the loan file must include the Texas Constitution Section 50(f-1) Affidavit Acknowledging Requirements of Subsection (f)(2), which must be properly executed under Texas law by the owner/owner's spouse.

Note: All the above requirements must be met for the home equity loan to be refinanced as a non- home equity

loan.

NOTICE CONCERNING REFINANCING A HOME EQUITY LOAN

YOUR EXISTING LOAN THAT YOU DESIRE TO REFINANCE IS A HOME EQUITY LOAN. YOU MAY HAVE THE OPTION TO REFINANCE YOUR HOME EQUITY LOAN AS EITHER A HOME EQUITY LOAN OR AS A NON-HOME EQUITY LOAN, IF OFFERED BY YOUR LENDER.

HOME EQUITY LOANS HAVE IMPORTANT CONSUMER PROTECTIONS. A LENDER MAY ONLY FORECLOSE A HOME EQUITY LOAN BASED ON A COURT ORDER. A HOME EQUITY LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE.

IF YOU HAVE APPLIED TO REFINANCE YOUR EXISTING HOME EQUITY LOAN AS A NON-HOME EQUITY LOAN, YOU WILL LOSE CERTAIN CONSUMER PROTECTIONS. A NON-HOME EQUITY REFINANCED LOAN:

(1) WILL PERMIT THE LENDER TO FORECLOSE WITHOUT A COURT ORDER;
(2) WILL BE WITH RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE; AND
(3) MAY ALSO CONTAIN OTHER TERMS OR CONDITIONS THAT MAY NOT BE PERMITTED IN A TRADITIONAL HOME EQUITY LOAN.

BEFORE YOU REFINANCE YOUR EXISTING HOME EQUITY LOAN TO MAKE IT A NON-HOME EQUITY LOAN, YOU SHOULD MAKE SURE YOU UNDERSTAND THAT YOU ARE WAIVING IMPORTANT PROTECTIONS THAT HOME EQUITY LOANS PROVIDE UNDER THE LAW AND SHOULD CONSIDER CONSULTING WITH AN ATTORNEY OF YOUR CHOOSING REGARDING THESE PROTECTIONS.

YOU MAY WISH TO ASK YOUR LENDER TO REFINANCE YOUR LOAN AS A HOME EQUITY LOAN. HOWEVER, A HOME EQUITY LOAN MAY HAVE A HIGHER INTEREST RATE AND CLOSING COSTS THAN A NON-HOME EQUITY LOAN.



12-DAY COOLING OFF PERIOD

The Notice Concerning Equity Loan Extension of Credit must be provided to the borrower in English.

And an additional copy of the notice translated into the written language in which the discussions were conducted. To ensure the disclosure is provided to the borrower in the correct language, the loan officer must add a comment to the Loan Submission form identifying the language spoken. The processor must properly identify the language spoken when ordering documents.

- Loan may not be closed until at least 12 calendar days after the borrower has dated and signed the initial application and Notice Concerning Equity Loan Extension of Credit.
- E consent signatures are acceptable.
- The "cooling off" period in which the borrowers, owners-in-title, and/or spouse (including non-borrowing spouse) can change his/her mind about the Texas Home Equity first mortgage runs from the later of:
 - The date the initial loan application is signed, or
 - The date that the Notice Concerning Equity Loan Extension of Credit is signed and dated by the borrowers, owners-in-title, and/or spouse.

PAYOFF OF DEBT

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

- SOLVE Mortgage may not require any other seller-owned debt to be paid off as part of the transaction as a condition of loan approval.
- If the payoff of debts to other sellers/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.
- Debts that are elected to be paid off by the borrower but are not required to be paid off to qualify the borrower, may be disbursed directly to the borrower.
- Installment debts a payoff is required.
- Revolving debt uses the balance on the credit report.

SECONDARY FINANCING

New subordinate financing is not allowed, but existing subordinate financing may remain in place. See [Secondary/Subordinate Financing](#).

PROPERTY CHARACTERISTICS

All properties must be residential in nature. Tax certification and exemptions for the property are to be reviewed and must meet the following requirements:

- Property must be a principal residence constituting the borrower's homestead in the state of Texas.
- The homestead property may not exceed the applicable acreage limit as determined by Texas law.
- All separate structures must be included in the homestead exemption.
- The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road.
- The new lien may only be secured by the homestead parcel and the market value for LTV calculation can only be assessed on that parcel.

URBAN AND RURAL HOMESTEAD DEFINITIONS

TEXAS HOME EQUITY HOMESTEAD DEFINITIONS

	URBAN HOMESTEAD DEFINITION	RURAL HOMESTEAD DEFINITION
ACREAGE	Acreage securing the loan may not exceed 10 acres.	Acreage may exceed 10 acres. However, the lot size must be typical and common with highest and best use as residential. In no case may the lot size exceed 20 acres.
PROPERTY LOCATION AND SERVICES	Property must be located: <ul style="list-style-type: none"> - Within municipal boundaries, or - Its extraterritorial jurisdiction, or - A platted subdivision and be served by police protection, paid or volunteer fire protection, and at least three of the following services provided by a Municipality or under contract to a municipality: <ul style="list-style-type: none"> • Electric • Natural gas • Sewer • Storm sewer • Water 	The property is not located within municipal boundaries or its extraterritorial jurisdiction, or if the property is located in one of those types of areas: <ul style="list-style-type: none"> - It is not served by police protection or paid, or volunteer fire protection provided by the municipality or under contract to a municipality, and - The municipality provides directly or under contract less than three (3) of the following services: <ul style="list-style-type: none"> • Electric • Natural gas • Sewer • Storm sewer • Water

Properties determined to be 'Urban' cannot exceed 10 acres. Property determined to be 'Rural' may not exceed 20 acres. The property should conform to and be acceptable in the market area. The appraisal must include the actual size of the site and not a portion of the site.

CLOSING REQUIREMENTS

ATTORNEY REVIEW

All documents must be reviewed by one of the following law firms (other attorneys may be acceptable when approved in advance by SOLVE Mortgage)

- McGlinchey Stafford and Youngblood & Associates
- Polonsky Betel Green, LLP
- Brown, Fowler, Alsip
- Beadle, Newman, & Lawler
- Gregg & Valby, LLC
- Black, Mann and Graham, LLP
- Robertson Anschutz Vettters, LLC

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 normal business hours. SOLVE Mortgage is responsible for ensuring all timing requirements under Regulation Z and state law are complied with.

Borrowers 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 Closing Disclosure and loan application.

POINTS AND FEES



Borrower paid fees are limited to 2% of the principal balance (including the origination fee). The following are not included in the 2% limitation:

- Lender paid closing costs.
- Per diem interest
- Bona fide discount points are used to reduce the interest rate.
- Escrow/impound funds.
- Appraisal fee paid to third-party appraiser.
- Surveys (completed by state registered or licensed surveyors)
- A state base premium for a mortgagee title insurance policy with endorsements established in accordance with state law; or if a mortgagee title policy is not issued, a title examination report (if cost is less than the state base premium for a mortgagee title policy without endorsements)

If borrowers are paying discount points, the borrowers, owners-in-title, and/or spouse must execute the TX Home Equity Discount Point Acknowledgment.

Only fees which are allowed by State Law and RESPA/ECOA regulatory guidelines can be charged to the borrower 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:

- Confirm lot size.
- Evidence homesteads property and any adjacent land are separate.
- Evidence of homestead and property is separately platted and subdivided lot for which full ingress and egress is available.
- Properties must be served by municipal utilities, fire, and police protection.
- Homestead must be a separate parcel within permissible acreage.

A T19 endorsement is permitted in lieu of a survey when title is willing to insure over it; title survey and/or encroachment exceptions are not permitted.

TITLE

A title insurance policy written on Texas Land Title Association forms (standard or short) including T42 and T42.1 endorsements are 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.

Title may not include language that:

- excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance"; or
- 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. No mobile notaries are permitted.

TEXAS HOME EQUITY DOCUMENTS

The following additional Texas Home Equity specific documents must be included in the closing package:



- 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 seller 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 (Form 3044.1)
- Texas Home Equity Note (Form 3244.1)
- Texas Home Equity Affidavit and Agreement (Form 3185)
- Texas Home Equity Condo Rider (Form 3140.44), if applicable
- Texas Home Equity PUD Rider (Form 3150.44), if applicable
- Texas Home Equity Certificate from SOLVE Mortgage Compliance with Section 50(a)(6) Article XVI of the Texas Constitution signed by the Seller's Attorney
- Texas Home Equity Discount Point Acknowledgment, if applicable
- Affidavit of Non-Homestead for all other dwellings if borrower owns more than one.
- Detailed closing instruction letter acknowledged by title company (Compliance Requirements for Texas Home Equity Loans)
- Note for any re-subordinating second (cannot be an (a)(6) Note, a new loan or a HELOC) with subordination agreement, if applicable

BORROWERS

A borrower is a credit applicant who will have ownership interest in the subject property, sign the security instrument, and sign the mortgage/deed of trust and note. If two or more individuals own the property jointly, and are jointly and severally liable for the note, all are considered to be borrowers. While only individuals may act as borrowers, a related Business Entity or Inter Vivos Revocable Trust may have an ownership interest through title to the subject property under certain circumstances as enumerated in the [Vesting and Ownership](#) section.

CUSTOMER IDENTIFICATION (CIP)

The USA Patriot Act requires banks and financial institutions to verify the name, date of birth, address, and identification number of all borrowers. SOLVE Mortgage will follow the published CIP procedures to ensure the identity of all borrowers has been documented.

FRAUD REPORT AND BACKGROUND CHECK

All loans must include a third-party fraud detection report for all borrowers and/or guarantors. Report findings must cover standard areas of quality control including, but not limited to borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the brokers.

If SOLVE Mortgage cannot electronically access the fraud report to clear high-level alerts within the fraud provider's system, an Underwriter's Certification is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the SOLVE's underwriting staff or operations management personnel.

U.S. CITIZENS

U.S. citizens are eligible for financing.

PERMANENT RESIDENT ALIENS

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151 – Permanent Resident Card (Green Card) that does not have an expiration date.
- I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired.
- I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date, as long as it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions.
- Un-expired Foreign Passport with an unexpired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized.”

NON-PERMANENT RESIDENT ALIENS

A Non-Permanent Resident Alien is a non-U.S. Citizen authorized to live and work in the U.S. on a temporary basis. If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Any Borrower not meeting the below criteria is not eligible.

Non-Permanent Resident Alien borrowers are eligible for the following Programs:

- ALT-A PLUS (U.S. credit only)
- ALT-A
 - With U.S. Credit per Program maximums.
 - With Foreign Credit when applying the [Qualifying Foreign Credit](#) criteria ALT-A – Express (DU) available with U.S. Credit only.
- DSCR PLUS- Non-Permanent Resident Aliens are not permitted.
- DSCR - U.S. Credit only. Not permitted on No Ratio cash out loans.

Borrower Eligibility Requirements:

- Borrowers must have resided in the US for at least the most recent 2 years; and
- Must have been employed in the US for at least two years; and
- Must have a valid Social Security Number.

The borrower’s Employment Authorization must be documented by one of the following:

- Form I-766 Employment Authorization Document (EAD)
 - If the Borrower’s Employment Authorization expires within six (6) months of the loan application, provide one of the following:
 - 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.
 - Evidence of at least one prior EAD renewal must be provided, along with evidence the borrower has timely filed Form I-765.
 - Note that the EAD documentation is acceptable for up to 540 days if an automatic extension has been granted.
 - EAD Category C33 must be underwritten to the ITIN Program Matrix and these Guidelines.
- Form I-765 Application for Employment Authorization:
 - Must reflect approval status in the Action Block in the upper right corner of the form.
- Form I-797, I-797A, I-797B, or I-797C conveying approval status
 - Petitioner must match name on the application.



- If an EAD is not provided, a copy of the Visa permitting employment authorization is to be provided.
 - Visa types allowed for all Programs except DSCR No Ratio and ALT-A PLUS: A-1, A-2, E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, H-1B, L-1, NATO, O-1, R-1, TN NAFTA.
 - It is important to note that individuals with diplomatic immunity are prohibited.
 - ALT-A PLUS loans only allow for the following Visa types: H-1B and L-1
 - No Ratio loans only allow for the following Visa types: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, TN (NAFTA), R-1
 - If the visa will expire within six (6) months following the closing date, additional documentation is required: evidence that the proper extension steps have been followed per the USCIS along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS (ex. I-797 with a valid extension date along with an I-94 Form).
- Acceptable Documentation to Support the Borrower's Legal Status for borrowers granted Asylum:
 - Form I-765 Employment Authorization referencing C08.
 - After being granted asylum in the U.S., DHS issues Form I-94, an Arrival/Departure Record to asylees. Form I-94 will contain a stamp or notation, such as "asylum granted indefinitely" or the appropriate provision of the law (8CFR 274a.12(a)(5) or INA 208) to show their employment authorization. The asylee does not need to present a foreign passport with Form I-94. An Asylee can also present an electronic Form I-94 with an admission class of "AY."
- Visa Waiver:
 - Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>.

NON-PERMANENT RESIDENT ALIEN – CREDIT REQUIREMENTS

A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 12-month housing history is required.

QUALIFYING U.S. CREDIT

- The Qualifying U.S. Credit designation refers to a Non-Permanent Resident Alien or ITIN borrower who meets Standard Tradelines in [Tradeline Requirements](#). A Qualifying U.S. Credit borrower is eligible per SOLVE Mortgage Programs Matrices; however, Non-Permanent Resident Alien borrowers are not permitted for DSCR Supreme. If limited tradelines, then follow the limited tradeline requirements.

QUALIFYING FOREIGN CREDIT

- The Qualifying Foreign Credit designation refers to Non-Permanent Resident Alien or ITIN borrowers who do not meet the tradeline requirements. A Qualifying Foreign Credit borrower may or may not have a U.S. credit report with no credit score, a single score, or an invalid credit score (insufficient tradelines to have 3 scores). In this case, the maximum LTV is 75% for an owner-occupied property, 75% for a second home, and 70% for an investment property.
- Qualifying Foreign Credit borrowers must establish an acceptable credit history subject to the following requirements:
 - Three open accounts with a 2-year history must be documented for each borrower reflecting no late payments.
 - A 2-year housing history can be used as tradeline.



- U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish the 3 open accounts and an acceptable credit reputation or an international credit report. If letters of reference are obtained, they must:
 - + State the type and length of the relationship, how the accounts are held, and status of the account.
 - + Contact information must be provided for person signing the letter; and
 - + Translations must be signed and dated by a certified translator.
- Note that when using Foreign Credit to qualify, the loan must be priced as a Foreign National Loan.

NON-PERMANENT RESIDENT ALIEN – EMPLOYMENT/INCOME REQUIREMENTS

Refer to the related section in these Guidelines apply for verification income and employment of Non-Permanent Resident Aliens.

NON-PERMANENT RESIDENT ALIEN – ASSET REQUIREMENTS

All funds required for down payment, closing costs, and reserves on Non-Permanent Resident Alien transactions with a valid Social Security Number (SSN) must be seasoned for 30 days. If the borrower does not have a valid SSN (i.e., ITIN or Foreign National using foreign assets), then 60 days of assets seasoning is required. See [Asset Documentation](#). Foreign assets deposited into a U.S. institution within 60 days of application is acceptable if there is evidence that the funds were transferred from the country from which the borrower previously or currently resides. It must also be established that the funds belonged to the borrower before the date of transfer.

Assets required for closing (down payment and closing costs) must also be seasoned in a U.S. depository institution for 10 days prior to closing or wired directly to the closing agent. (a foreign bank that is in the US IE: RBC is considered in a US Depository).

Assets held in a foreign account can be used for reserves. The most recent 30-day account statement is required, and funds are to be converted to U.S. dollars using the current exchange rate. A letter of reference on company letterhead from a verifiable banking institution may also be obtained. Contact information must be provided by the person signing the letter, and the letter must state the type of relationship, length of the relationship, how accounts are held, and current balance. Any translation must be signed and dated by a certified translator.

ITIN

ITIN - RESTRICTIONS

- ITIN is eligible with the Select ITIN Program only. See related Program Matrix.
- Minimum loan size \$125,000
- Maximum DTI 50%
- Not Eligible for Express (DU).
- Escrow impounds are required.

ITIN – DOCUMENTATION REQUIREMENTS

- Government photo ID from US or eligible country of origin. Examples include:
 - Government license, passport, matricular consular, etc. A Visa is not required in addition to the above for an ITIN borrower.
- ITIN card or letter from the IRS
 - ITIN is required to be assigned to the borrower prior to application (See [ITIN – Borrower Eligibility](#)).
 - All documentation in the file must support the borrower's ITIN number and cannot reference a SSN belonging to another individual.
 - Evidence of unexpired ITIN can be accomplished as follows:
 - **Full Doc/1099 loans:** Current executed transcripts will validate the borrower's current ITIN status.
 - **Alt Doc loans:** Provide one of the following:
 - IRS letter dated less than three years ago.
 - Fully executed W7, including agent's signature.
 - Letter from Tax Preparer confirming they have filed the borrower's most recent tax return with the IRS.
- DACA is eligible with ITIN / SSN with Valid US driver's license along with EAD card evidencing their DACA status.

ITIN – PRODUCTS / LOAN TERMS

- See the Select ITIN Matrix.

ITIN – BORROWER ELIGIBILITY

ELIGIBLE

- ITIN must be valid and at least 2 years consistent ITIN payments reporting to the IRS is required. This can be validated with the borrower's current ITIN # along with a 2-year employment history.
- If multiple borrowers, one borrower must have ITIN.

INELIGIBLE

- Irrevocable or Blind Trusts
- Inter-Vivo Revocable Trust
- Limited partnerships, general partnerships, corporations.



ITIN – CREDIT REQUIREMENTS

- Housing/Rental History: 0x30x12, plus VOR/VOM
 - Borrowers who own their primary residence free and clear are considered to have an acceptable housing history. Refer to the [No Housing or Less than 12-Month Verified \(Including Rent-Free\)](#) section for additional eligible scenarios.

ITIN – CREDIT SCORE REQUIREMENTS

- A minimum of two credit scores is required.
- One score is permitted when the credit report has sufficient tradeline activity, defined as follows:
 - 3 trades reporting for 12+ months, OR
 - 2 trades reporting for 24+ months, OR
 - 2-year mortgage history.
- Middle of three or lower of two scores for the primary wage earner is considered the qualifying score. When only one score is present, that score is considered the qualifying score.

ITIN – MINIMUM TRADELINES

- If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived.
- Spouses can combine tradelines.
- When only 2 scores are available, the below minimum tradelines are required:
 - Two open and active trades reporting for 24 months; or
 - Three open and active trades reporting for 12 months
 - Authorized user accounts and/or collections and charge-offs are not considered a valid tradeline.
- If the borrower is unable to meet the above tradeline requirements, they may qualify using Non-Traditional Trades as defined below.
 - A minimum of two (2) credit scores is required.
 - Loan Amount is <= \$1,500,000.
 - The credit history must include three (3) credit references covering the most recent 12 months' activity from date of application with cancelled checks.
 - Acceptable tradelines may be mortgage/rental verification, utilities, such as electricity, gas, water, telephone service, television, and internet service providers. If utilities are included in the rental housing payment, they cannot be considered a separate source of nontraditional credit.
 - It is permissible to combine trades from the credit report along with non-traditional credit to meet the tradeline requirements.

ITIN – WAGE EARNER

- Wage Earner: Fully executed Written Verification of Employment (WVOE) covering the previous 1- or 2-years.
- 1-2 years' W2 borrower's income, including but not limited to variable income, is calculated by using the previous years' WVOE unless the YTD income is declining. Declining income will be viewed on a case-by-case basis to determine stability of earnings.
- Verbal Verification (VVOE) within 10 days of the Note Date.
- 1-2 years signed 1040s.
- Executed 4506-C on 1040s.

ITIN – SELF EMPLOYED

- 1- or 2- years signed 1040s, including all pages, schedules, statements.
- Year to date Profit and Loss Statement signed by the borrower along with most recent two (2) months of bank statements that align with the good through date on the P&L
- K-1's on all corporations and Schedule E business entities for the prior 1- or 2- years.
- Business returns on all Corporations and Schedule E business entities prior 1- or 2- years; if ownership is >= 25%, including all pages, schedules, statements.
- Executed 4506-C on 1040s
- Verification of business existence within 30 days of the Note Date

ITIN – ALT DOC

ITIN borrowers can qualify using the following alternative documentation options:

- 12- or 24- months personal or business bank statements only.
- 1- or 2- years 1099
- Asset Utilization (See ITIN – Asset Utilization section below)

ITIN – RENTAL INCOME

- Owner Occupied 2-4-Units: may add 75% of gross rent to borrower's qualifying income.
- NOO: Income used to qualify is 75% or the lesser of documented rent or market rent per appraisal.

ITIN – ASSET UTILIZATION

Asset Utilization is permitted for ITIN borrowers up to 80% LTV using a 60-month amortization of the eligible assets to determine qualifying income stream.

ITIN – GIFT FUNDS

Gift Funds are acceptable with the following requirements:

- Allowed with 5% minimum contribution from borrower's own funds for Owner Occupied.
- Allowed with 10% minimum contribution from borrower's own funds for 2nd Home.
- 100% of down payment and closing cost may come from gifted funds for OO and SH to 75% LTV.
- Gift funds are not permitted on NOO.
- May not be used to meet reserves.
- Fannie Mae Guidelines should be used for donor eligibility, documentation, proof of funds, and evidence of receipt.
- Gift of Equity allowed for Primary Residence only and 75% maximum LTV. Must meet all other requirements in the Gift Funds section of these Guidelines.

ITIN - ELIGIBLE PROPERTY TYPES

- Single Family Residences
- PUDs
- Townhouses
- Condominiums - Warrantable – See the Select ITIN Matrix for LTV restrictions.
- Condominium Non-Warrantable (Max 75% LTV)
- 2-4 Units (See the Select ITIN Matrix for LTV restrictions).



FOREIGN NATIONALS (FN)

A Foreign National is a non-U.S. citizen authorized to live in the U.S. on a temporary basis but does not meet the definition of a Non-Permanent Resident Alien. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence. See the Foreign National Matrix for complete details.

- See [State Restrictions](#) for applicable exclusions.

FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- The following are required as evidence the borrower is legally present in the US:
 - Copy of the borrower's valid and unexpired passport and:
 - Copy of the borrower's unexpired visa OR an I-797 form (Notice of Action) with valid extension dates and I-94 Form (Arrival/Departure Record), or
 - 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.html>.
 - Citizens of Canada traveling to the United States do not require a nonimmigrant visa.
 - Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.
- A list of nonimmigrant Visa types is located on the US Department of State website <https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html>
- If a non-US Citizen is borrowing with a US Citizen, foreign national documentation requirements still apply.
- All parties (Borrower's and Seller's) involved on the transaction must be screened through exclusionary lists and must be cleared through OFAC's SND list. A search of Specially Designated Nationals & Blocked Persons list may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible: <http://www.treasury.gov/resource-center/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>
- Power of Attorney (POA) is not permitted.
- Documents signed outside of the United States must be notarized by a US embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention: <https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-yourdocument/apostille-requirements.htm> Model Apostille forms can be found on the following link: <https://www.hcch.net/en/instruments/specialised-sections/apostille>

FOREIGN NATIONAL – AUTOMATIC PAYMENT AUTHORIZATION (ACH)

Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed ACH enrollment for payment of Principal, Interest, Taxes and Insurance must be included in the closed loan submission package. The ACH enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

Note: To set up the Automatic Payment Authorization (ACH), a copy of the borrower's cancelled check to validate the bank's routing and account number and the executed ACH form are required prior to or no later than closing.

FOREIGN NATIONAL - CREDIT REQUIREMENTS

A U.S. credit report should be obtained for each Foreign National borrower with a valid Social Security Number. The credit report should provide merged credit information from the 3 major national credit repositories. For borrowers without a valid Social Security Number, an Individual Taxpayer Identification Number (ITIN) is also allowed. An ITIN is acceptable if the borrower has the ITIN for purposes of reporting taxes from passive income sources only and is not employed in the U.S. A traditional U.S. credit report is not required for borrowers without a valid SSN.

Foreign National borrowers who do not have an SSN or ITIN may still proceed under the Foreign National Program. The URLA should be updated with 999-99-9999 in the SSN field. All other requirements still apply.

QUALIFYING U.S. CREDIT (FN)

The Qualifying U.S. Credit designation refers to non-U.S. citizen borrowers who meet Standard Tradelines in [Tradeline Requirements](#).

QUALIFYING FOREIGN CREDIT (FN)

The Qualifying Foreign Credit designation refers to non-U.S. citizen borrowers who do not meet the Standard Tradeline requirements. A Qualifying Foreign Credit borrower may or may not have a U.S. credit report with no credit score, a single score, or a score with insufficient tradelines.

Qualifying Foreign Credit borrowers must establish an acceptable credit history demonstrating either 2 open tradelines reporting for 2 years with activity in the most recent 12 months displaying or three open trades with a 12+ month rating. In either example trades must experience no derogatory payments. This can be accomplished through a combination of ANY of the following:

- Tradelines evidenced on a US Credit Report; and/or
- Tradelines evidenced on an international credit report if a US credit report cannot be produced or does not reflect sufficient trades; and/or
- Alternative tradelines consisting of two of the following:
 - Credit reference letter(s) from the borrower's country of origin with the following info:
 - State the type and length of the relationship, how the accounts are held, and status of the account.
 - Contact information must be provided for the person signing the letter; and
 - Any translation must be signed and dated by a certified translator.
 - A 2-year housing history can be used as a tradeline (if a primary residence is owned free and clear but taxes and insurance is paid for 12 months or more this can be used for one of the 3 trade lines.

MORTGAGE AND RENTAL PAYMENT VERIFICATION

A 12-month housing history is required for Foreign National transactions. Mortgages and rental payments combined may not exceed 0x30 in the past 12 months. Borrowers who own their primary residence as free and clear are considered to have an acceptable mortgage history. The Foreign National – CPA Letter – Free and Clear Property Form or some other evidence may be used to verify. Taxes and insurance must be included in the DTI, unless evidence is provided to support taxes and/or insurance does not exist.

FOREIGN NATIONAL - INCOME/EMPLOYMENT REQUIREMENTS

Foreign Nationals may qualify under any of the following documentation types:

- Full Documentation
- Asset Utilization

FULL DOCUMENTATION

The maximum DTI allowed for Foreign National borrowers is 50%. To document income received for salaried Foreign National borrowers, the following items must be obtained:

- Letter from employer on company letterhead providing current monthly salary and YTD earnings, OR 2 months' pay stubs with YTD earnings.
- Verification of earnings for the last 2 years (letter from employer or W-2 equivalent)
- Employer to be independently verified (via LexisNexis, D&B International Business Search, Google, or other means of verification)
- All documents must be translated by a certified translator.

Foreign National borrowers who have been self-employed for at least 2 years are allowed. The following items must be obtained:

- Letter from a CPA providing income for the last 2 years and YTD earnings.
- Self-employed business and CPA are to be independently verified (via LexisNexis, D&B International Business Search, Google, or other means of verification)
- All documents must be translated by a certified translator.

Verbal Verifications of Employment are not required for Foreign National borrowers.

ASSET UTILIZATION (FN)

Foreign National borrowers may use Asset Utilization to determine qualifying income if those qualified assets sourced and seasoned for a minimum of three (3) months. The qualified assets and reserves may be deposited in financial institution(s) outside of the United States subject to State/LTV restrictions. See the Foreign National Matrix for credit score and LTV restrictions.

Asset Utilization is allowed on cash-out transactions.

Qualified Assets can be comprised of publicly traded stocks, bonds, mutual funds, vested amount of retirement accounts and bank accounts. If a portion of the Qualified Assets is being used for down payment, closing costs, or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination.

The following assets are considered Qualified Assets and can be utilized to calculate income:

- 100% of checking, savings, and money market accounts
- 80% of the remaining value of stocks & bonds
- 70% of retirement assets

CALCULATING QUALIFYING INCOME (FN)

To calculate qualifying income using Asset Utilization, see below:

Foreign National borrowers must have the lesser of (a) 1.5 times the loan balance or (b) \$1mm in Qualified Assets, both of which must be net of down payment, closing costs, and required reserves to qualify. See the Foreign National Matrix for max debt ratios.

The income calculation is as follows:

$$\text{Monthly Income} = \text{Net Qualified Assets} / 60 \text{ Months}$$

DEBT-SERVICE COVERAGE RATIO (FN)

A Debt Service Coverage Ratio (DSCR) may be calculated for the subject property in lieu of documenting borrower income. Market rent must be documented with FNMA Form 1007 or Form 1025, as applicable. The DSCR calculation is as follows:

$$\text{Debt-Service Coverage Ratio} = \text{Gross Income} / \text{Proposed [P]ITIA}^*$$

To calculate Gross Income, use the lower of the (a) executed lease agreement or (b) market rent from FNMA Form 1007 or Form 1025, as applicable. If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of receipt of the higher amount for the 2 most recent consecutive months is provided.

***For Foreign National (FN) Interest Only loans**, the DSCR calculation for the 30-Year Fixed IO Product allows for the use of the interest-only payment to qualify, including escrows.

FOREIGN NATIONAL ASSETS

Verification of 12 months of PITIA reserves for the subject property is required.

All funds required for down payment and closing costs must be seasoned for 60 days and meet one of the following requirements:

- Must be seasoned in a US depository institution for 10 days prior to closing unless funds are held in a foreign bank with US Based FDIC insured branches: OR
- Wired directly to the closing agent.

Gift funds are allowed if the borrower has a minimum of 10% of their own funds towards down payment and closing costs, plus reserves for purchases with a maximum loan amount of \$1,000,000.

Funds used for reserves may be held in a foreign account. The value of the asset must be converted to US dollars using the current exchange rate.

See [Asset Documentation](#) for documentation requirements.

ADJUSTABLE RATE AND INTEREST ONLY QUALIFYING

For all ARM IO loans, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.

Non-DSCR Interest-only loans qualify using the fully amortized payment calculated over the fully amortizing period, based on the greater of the note rate or the fully indexed rate to determine qualifying PITIA. DSCR loans can be qualified using the Interest Only Payment, based on the greater of the note rate or the fully indexed rate to determine the qualifying I/O payment.

EXCLUSIONARY LIST/OFAC/DIPLOMATIC IMMUNITY

All parties involved in each transaction must be screened through any exclusionary list used by SOLVE Mortgage. SOLVE Mortgage will apply its exclusionary list policy to any loans originated under these Guidelines.

Borrowers and Guarantors from OFAC sanctioned countries are ineligible for the Foreign National Program. The search is to be completed through the US Department of Treasury Office of Foreign Asset Control:

<https://ofac.treasury.gov/sanctions-programs-and-country-information>

- This does not apply to Permanent or Non-Permanent Resident Aliens

Individuals with diplomatic immunity are not eligible due to the inability to compel payment or seek judgment. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa, passport, and/or the U.S. Department of State's Diplomatic List at: <http://www.state.gov/s/cpr/rls/>.

Refer to the [State Restrictions](#) section of these Guidelines for State excluded countries.

CO-BORROWERS

Co-borrower is often used to describe any borrower other than the first borrower whose name appears on the note. All borrowers are evaluated on their ability to meet credit requirements and underwriting and eligibility standards. All co-borrowers must take title to the subject property. A related Business Entity or Inter Vivos Revocable Trust may have an ownership interest in title to the subject property. Co-borrowers may not be an interested party to the transaction. Examples include, but are not limited to, property seller, builder, realtor, appraiser (a buyer who also acts as their own buying agent is generally permitted.)

NON-OCCUPANT CO-BORROWERS

For ALT-A PLUS refer to the [ALT-A PLUS – Borrower Eligibility](#) section for Program requirements.

Non-occupant co-borrowers are allowed under the ALT-A Program including when using Express (DU) only when the following requirements are met:

- Primary occupancy only
- Purchase and rate/term only (non-occupant must be on the current mortgage for a rate/term refinance); not permitted on cash-out refinance transactions.
- Non-occupant co-borrower must be a relative
- Max 90% LTV
- Max 50% Total DTI.
- Max 65% DTI for Occupying Borrower on manually underwritten loans only.
- When using Express (DU) ONLY: Ratios for the Occupying Borrower and Non-Occupant Co-Borrower may be blended (All income may come from the Non-Occupant Co-Borrower)
- Max loan amount \$1,000,000
- Still use the primary wage earners score, whether it be the occupant or the non-occupying coborrower.

Non-occupant co-borrowers permitted on Foreign National loans when the non-occupying co-borrower is US Citizen who will be taking title to the property.

FIRST-TIME HOME BUYERS

A First-Time Home Buyer is defined as a borrower who had no ownership interest in a residential property in the United States during the preceding 5-year period. Please refer to the Program Matrices for specific additional restrictions.



For ALT-A, the following requirements apply to First-Time Home Buyer transactions:

- Primary residence, d second homes; and investment properties.
- Minimum 640 score
- Permitted on ALT-A including when using Express (DU) for loan amounts up to \$1,500,000.
- The First-Time Home Buyers requirements do not apply to DSCR loans.

For ALT-A PLUS, FTHBs are permitted with the following requirements:

- 1 Unit Properties only
- 0x30x24 rental history from at least one of the borrowers
- 7 years seasoning from any housing event

If a spouse is on the deed of a principal residence in the last 36 months, they are not a first-time home buyer.

If either borrower has had ownership interest, as defined above, the loan is not subject to the First Time Homebuyer restrictions.

EMPLOYEES OF CLIENT

Loans to employees of the Client are allowed. Transactions must meet the following requirements:

- Primary residence and second homes only
- Loans must adhere to non-arm's length transaction section of these Guidelines.
- Officers of the Seller are permitted on an exception basis only.

LIMITED POWER OF ATTORNEY

A Limited Power of Attorney (POA) is acceptable when following requirements are met:

- Signed and Notarized Recorded with the mortgage/deed of trust.
- Contains an expiration date.
- Used only to execute the final loan documents.
- Borrower who executed the POA signed the initial 1003.
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney.
- POA is not permitted on cash out, Foreign National, or when title is vested in a trust or an entity.

VESTING AND OWNERSHIP

FEE SIMPLE OWNERSHIP

Acceptable forms of vesting with Fee Simple ownership are:

- Individuals
- Joint Tenants
- Tenants in Common
- [Inter Vivos Revocable Trust](#)
- [Business Entity \(NOO ONLY\)](#)
 - Limited Liability Company (LLC)
 - Limited and General Partnerships
 - Corporations
 - S Corporations

Note: Only individuals can be a borrower. The other entities listed above relate only to an ownership interest in the subject property. Tenants in Common with unequal ownership are not eligible for ALT-A PLUS.

Ineligible forms of vesting are:

- Land Trusts
- Blind Trusts
- Life Estates
- Non-Profit Corporations
- Irrevocable Trust

INTER VIVOS REVOCABLE TRUST

Inter Vivos Revocable Trusts are allowed as vested or titled owners of the subject property (but not as borrowers). 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) who establish 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 apply and qualify for the mortgage. A Power of Attorney is not permitted on loans when title is vested in a trust.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee 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 in the trust. One or more of the individual parties establishing the trust must use personal income or assets to apply and qualify for the mortgage.

A copy of the trust is required, or a signed attorney's opinion may be obtained in lieu of the trust documents. The opinion letter must indicate that the trust meets all published requirements and must also include the following:

- Name of the trust
- Date executed.
- Settler(s) of the trust
- Whether it is revocable or irrevocable
- Whether the trust has multiple trustees
- Name of trustees
- Manner in which vesting will be held.

The attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

The deed of trust/mortgage and all attached riders must be completed by the authorized trustee(s) of the trust that is the vested owner of the subject property.

Trust Certs are allowed when permitted by the state.

Closing Documents must be executed in compliance with FNMA signature requirements for Mortgages to Inter Vivos Trusts : <https://selling-guide.fanniemae.com/sel/e-2-04/signature-requirements-mortgages-inter-vivos-revocable-trusts>

ENTITY VESTING

Ownership or title vesting in the name of an LLC, partnership, or corporation (collectively 'Entity') is acceptable on investment property transactions only. While only individual owners of the Entity must qualify as the borrowers, ownership of the subject property may vest in an Entity.

To vest ownership in an Entity, the following requirements must be met:

- Investment properties only
- Entity limited to a maximum of 4 owners (aka members, partners, or shareholders)
- Personal Guarantees are required from the authorized signor(s) who are borrowers on the loan along with any individual with 50% or greater ownership in the entity.
- The loan application, credit report, income, and assets for the authorized signer will be used to determine qualification and pricing.
 - If the operating agreement does not state an authorized signer, then all entity owners must apply as a borrower and complete a 1003 as an individual applicant.
- Entity must be domiciled in a US State
- Each Entity owner must receive notice of the loan and its terms prior to closing.
- LLCs owned by LLCs will be reviewed on a case-by-case basis.
 - Layering of entities is not permitted on DSCR No Ratio Loans.
 - LLC documentation requirements must be met for each of the layered entities

The following Entity documentation must be provided:

- Limited Liability Company (LLC)
 - Entity Articles of Organization, Partnership, and Operating Agreements (if applicable)
 - Corporate documents that contain a list of owners along with titles
 - Tax Identification Number (EIN):
 - Single member may use the EIN or the guarantor's social security number
 - Multiple member LLC the EIN is required.
 - Good Standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from the state website).
 - Certificate of Good Standing for the current year.
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - Borrowing Certificate (LLC Borrowing Certificate – Single Member or LLC Borrowing Certificate – Multiple Member). Examples of these forms can be found on the portal in the Documents section.
- Corporation
 - Filed Certificate/Articles of Incorporation (and all amendments)
 - By-Laws (and all amendments)
 - Certificate of Good Standing issued by the Secretary of State where the corporation is incorporated.
 - Tax Identification Number (EIN)
 - Borrower Resolution/Corporate Resolution granting authority of signer to enter into a 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 be required)
- Partnership Agreement and all amendments
- Certificate of Good Standing issued by the Secretary of State 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:

- Loan Application (1003)
 - Completed and signed by the authorized signer or each individual owner.
 - 1003 section labeled “Title will be held in what Name(s)” should be completed with only the Entity name.
- Personal Guaranty
 - Is not required, WHEN ALL members of the entity sign the note personally AND for the entity and sign the mortgage as a member of the entity.
 - If the above is not true, then:
 - Personal Guaranty is required and must be executed by all borrowers, as well as any individual with 50% or greater ownership in the entity.
 - The guaranty for any non-borrower with a 50% or greater ownership in the entity may be executed prior to closing, however any terms referenced on the guaranty must refer to the final terms on the loan.
 - Spousal Consent to Pledge on loan amounts \$1,000,000 and up
 - Spousal Consent to Pledge in community property states (AK, AZ, ID, LA, NM, TX, WA, WI).
 - Each individual who provides a personal guaranty; the authorized signer is required to sign.
 - The guaranty should be executed at loan closing and dated the same day as the Note.
- Borrowing Certificate
 - Signed by all entity members providing acknowledgement to terms of the financing.
- Disclosures (GFE/LE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.) - completed and signed by each individual borrower.
- CD or HUD 1 - completed and signed by the authorized signer.
- Other Closing Documents (Final TIL, Business Purpose and Occupancy Affidavit, etc.) - completed by the Authorized signer or individual owners(s) of the Entity.
- Note– must be completed by the authorized owner(s) of the Entity who can legally sign and bind the Entity that is the vested owner of the subject property when accompanied by a Personal Guaranty OR by all members of the Entity both individually and as members when a Personal Guaranty is not executed.
- Deed of Trust/Mortgage, and all attached Riders – must be completed as a member by the authorized owner(s) of the Entity who can legally sign and bind the Entity that is the vested owner of the subject property.

Entity Signature Requirement Examples:

- [Authorized Signatory] may be replaced by a different title as specified in the Member Consent (e.g., Managing member, Member, etc.).
- Example 1:
 - Borrower: SS Properties, LLC by Steve Smith, Single Member of LLC
 - Signature Block of Note, Security Instrument, and all Riders:



- SS Properties, LLC a [_____] limited liability company
Steve Smith
By: Steve Smith
Title: [_____]
- Example 2:
 - Borrower: SS Properties, LLC by Steve Smith and Mary Smith, two Members of LLC; both Members are Authorized Signatories of LLC.
 - Signature Block of Note, Security Instrument, and all Riders:
 - SS Properties, LLC a [_____] limited liability company
Steve Smith
By: Steve Smith
Title: [_____]
 - And
 - SS Properties, LLC a [_____] limited liability company
Mary Smith
By: Mary Smith
Title: [_____]

LEASEHOLD ESTATE

Mortgages secured by properties on leasehold estates are acceptable in areas in which this type of property ownership has received market acceptance.

The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. See also [Leasehold Appraisal Requirements](#).

The leasehold estate and the improvements must constitute real property, be subject to the mortgage lien, and be insured by SOLVE's Mortgage title policy.

The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee. In the event the mortgage is secured by a sublease of a leasehold estate, the documents must provide that a default under the leasehold estate will not by such default result in the termination of the sublease.

- Leasehold condos are not permitted.
- Leaseholds are not permitted on ALT-A PLUS.

LEASE REQUIREMENTS

The following requirements must be met for leases associated with leasehold estate mortgage loans:

- The term of the leasehold estate must run for at least five years beyond the maturity date of the mortgage unless fee simple title will vest at an earlier date in the borrower's name.
- The lease must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor.
- The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee.
- The lease must provide for the borrower to retain voting rights in any homeowners' association.
- The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements.
- The lease must be valid, in good standing, and in full force and effect in all respects.
- The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents.



- The lease must include provisions to protect the mortgagee's interests in the event of a property condemnation.
- The lease must provide SOLVE Mortgage with
 - the right to receive a minimum of 30 days' notice of any default by the borrower, and
 - the option to either cure the default or take over the borrower's rights under the lease.

ADDITIONAL ELIGIBILITY REQUIREMENTS

The following requirements must be met before SOLVE Mortgage can deliver a leasehold estate mortgage for purchase or securitization:

- All lease rents, other payments, or assessments that have become due must be paid.
- The borrower must not be in default under any other provision of the lease, nor may such a default have been claimed by the lessor.

OPTION TO PURCHASE FEE INTEREST

The lease may, but is not required to include an option for the borrower to purchase the fee interest in the land. If the option is included, the purchase must be at the borrower's sole option, and there can be no time limit within which the option must be exercised. If the option to purchase the fee title is exercised, the mortgage must become a lien on the fee title with the same degree of priority that it had on the leasehold. Both the lease and the option to purchase must be assignable.

ESTABLISHING LAND PURCHASE PRICE	
STATUS OF PROPERTY IMPROVEMENTS	PURCHASE PRICE OF LAND
Already Constructed at the time the lease is executed.	The initial purchase price should be established as the appraised value of the land on the date the lease is executed.
Already constructed at the time the lease is executed, and the lease is tied to an external index, such as the Consumer Price Index (CPI).	<p>The initial land rent should be established as a percentage of the appraised value of the land on the date that the lease is executed.</p> <p>The purchase price may be adjusted annually during the term of the lease to reflect the percentage increase or decrease in the index from the preceding year.</p> <p>Leases may be offered with or without a limitation on increases or decreases in the rent payments.</p>
Will be constructed after the lease is executed	<p>The purchase price of the land should be the lower of the following:</p> <ul style="list-style-type: none"> • the current appraised value of the land, or • the amount that results when the percentage of the total original appraised value that represented the land alone is applied to the current appraised value of the land and improvements. <p>For example, assume that the total original appraised value for a property was \$160,000, and the land alone was valued at \$40,000 (thus representing 25% of the total appraised value). If the current appraised value is \$225,000, \$50,000 for land and \$175,000 for improvements, the purchase price would be \$50,000 (the current appraised value of the land, because it is less than 25% of \$225,000).</p> <p><u>Note:</u> If the lease is tied to an external index, the initial land value may not exceed 40% of the combined appraised value of the land and improvements.</p>



MULTIPLE FINANCED PROPERTIES AND SOLVE MORTGAGE EXPOSURE

There is no limit on the number of other properties borrowers may currently have financed with the exception of No Ratio loans. No Ratio loans are limited to 20 financed residential properties.

SOLVE Mortgage exposure may not exceed \$10M aggregate with a maximum of 10 loans for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis to a maximum of 15 million. The maximum exposure to a single borrower on the Investor DSCR No Ratio option is \$7.5M in unpaid principal balance or ten properties.

INELIGIBLE BORROWERS

The following borrowers are not eligible:

- LLCs, partnerships, or corporations (may qualify for vesting only)
- Irrevocable Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction.
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- Trusts or Land Trusts (trusts may qualify for ownership vesting only)
- Borrowers less than 18 years old
- Refer to matrices for vesting restrictions on loans with Prepayment Penalties.
- Refer to the [State Restrictions](#) section in these Guidelines and Matrices.

CREDIT ANALYSIS

EQUAL CREDIT OPPORTUNITY ACT, FAIR HOUSING ACT & STATE FAIR LENDING LAWS

The Federal Equal Credit Opportunity Act prohibits lenders from discriminating against credit borrowers on the basis of race, color, religion, national or ethnic origin, sex, marital or familial status, age (provided the borrower has the capacity to enter into a binding contract), disability, because all or part of the borrower's income is derived from a public assistance program or because the borrower has, in good faith, exercised any rights under the Consumer Credit Protection Act. State laws may also prohibit discrimination on certain additional basis such as sexual orientation.

Similarly, the Fair Housing Act prohibits SOLVE Mortgage from discriminating against mortgage borrowers based on race, color, religion, sex, familial status, national origin, or disability.

SOLVE Mortgage expects brokers originating loans for sale to SOLVE Mortgage to adhere to the letter and spirit of federal and state fair lending laws.

CREDIT REPORT

A credit report is required for all borrowers on a loan.

The credit report should provide merged credit information from the 3 major national credit repositories. A valid Social Security number (SSN) is required for all borrowers on the loan.

See [Credit Requirements](#) for acceptability of ITINs for Foreign National borrowers only.

Either a three-bureau merged report, or a Residential Mortgage Credit Report (RMCR) is required. The credit report should include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the individual has resided in the last 2 years.

FRAUD ALERTS

The three national credit repositories have developed automated messaging to help identify possible fraudulent activity on a credit report. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active-Duty Alert
- HAWK Alert

All Fraud Alerts must be properly addressed and resolved prior to closing. The actions must be reasonable and compliant with applicable laws. A final underwriting decision cannot be made without full resolution of the alert.

CREDIT REPORT SECURITY FREEZE

The credit report used to evaluate a loan may not reflect a security freeze and must be resolved prior to an underwriting decision. If a borrower unfreezes his or her credit after the date the original credit report was ordered, a new three-bureau merged report will be obtained to reflect current and updated information from all repositories.

INQUIRIES

A signed letter of explanation from the borrower or creditor is required for all inquiries within the most recent 90 days to determine whether additional credit was granted as a result of the borrower's request.

UPDATED PAYMENT HISTORIES

Payment histories may be requested directly from a creditor when the credit report indicates delinquencies have been removed or when the majority of credit is from a non-institutional lender.

CREDIT RESCORE

Credit Rescoring:

- SOLVE Mortgage, will allow credit rescoring on Business Purpose loans only. Credit rescoring for all other loan transactions involving owner occupied and second home occupancies are not permitted for the purpose of increasing the score to qualify, except to correct a reporting error as indicated in the permissible scenarios listed below.
- SOLVE Mortgage, will not purchase a loan that does not meet the requirements listed above and/or below.

Permissible scenarios for owner occupied and second home transactions in which an updated credit report would be permitted (These rare instances must be acceptable at the sole discretion of the Underwriter based on the documentation provided):

- Borrower disputed erroneously reported account activity:
 - Mortgage, Installment, or Revolving account with current balance does not belong to the borrower(s)
 - Delinquent account does not belong to the borrower(s)
 - Borrower's account was paid-off prior to making loan application; however, credit report shows a current balance and payment.
 - The creditor must acknowledge responsibility for the reporting error in writing (no exceptions); the reporting agency must correct the error; and borrower must provide evidence of the investigation and corrective action.
 - All credit reports pulled during the loan process must be in the loan file.
- The credit report date has expired according to the Age of Documentation Policy.



GAP CREDIT REPORT

A credit refresh or undisclosed debt monitoring report dated within 30 days of closing is required, unless the original credit report is dated within 30 days from the Note Date. Evidence of undisclosed debt monitoring report is permitted to satisfy this requirement. Business purpose DSCR loans are excluded from this requirement.

CREDIT SCORE REQUIREMENTS

For ALT-A including ITIN and Full Doc Foreign National Loans, the primary income-earner's score is used as the Representative Credit Score for each loan. The primary income-earner must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), TransUnion (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional borrowers on the loan must have at least one valid score of 540 or greater. It is permissible that a non-occupying coborrower be the primary wage earner.

To determine the Representative Credit Score for the primary wage-earner, select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided.

When qualifying income amount is equal for all borrowers on the loan, the highest Representative Credit Score of all borrowers will be used.

For ALT-A PLUS, the lowest middle credit score of all borrowers will be used as the Representative Credit Score for each loan. A minimum of two scores is required for each borrower.

TRADELINE REQUIREMENTS

MINIMUM TRADELINES			
If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived, with the exception of ALT-A PLUS, Foreign Nationals and DSCR No Ratio Loans which must meet the Standard Tradeline requirements below.			
	OCCUPANCY	TRADELINE HISTORY	MINIMUM STANDARDS
STANDARD TRADELINE	Primary, Second Homes and Investment	3 tradelines reporting for 12+ months with activity in last 12 months or 2 tradelines reporting for 24+ months with activity in last 12 months Or 24-month mortgage history reporting on credit report	0x30 for most recent 12 months
LIMITED TRADELINE	Primary and Second Homes	Does not meet minimum tradeline requirements	N/A

Only the primary wage-earner must meet the minimum tradeline requirements listed above, and married couples may combine tradelines, with the exception of ALT-A Plus where each borrower must meet the tradeline requirements.

To qualify as a valid tradeline, the following requirements apply:

- The credit line must be reflected on the borrower's credit report.
- The account must have activity in the past 12 months and may be open or closed.
- Tradelines used to qualify may not exceed 0x60 in the most recent 12 months.



- An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline.

Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts. Student loans can be counted as tradelines as long as they are in repayment and are not deferred.

TRADELINES SPECIFIC TO HOUSING HISTORY

- Manufactured housing/mobile home loans indicated as repossessions, collections, or charge-offs are considered foreclosures.
- Loan Modification / Restructured Mortgage loans: 4 years seasoning after the event date to the closing date.
 - Restructured Mortgage loans that resulted in any type of partial forgiveness, principal curtailment, or conversion are ineligible.

STANDARD TRADELINES

Borrowers qualifying with Standard Tradelines are eligible for all occupancy types and as per the related Program.

LIMITED TRADELINES

The following requirements apply when qualifying with Limited Tradelines:

- Primary residence only
- 640 minimum Score
- Maximum DTI of 43%
- 10% minimum borrower contribution
- Max LTV 80%
- Must have a rental history with canceled checks or Management Company VOR.
- Limited Trades not permitted with ALT-A PLUS.

When qualifying with Limited Tradelines, the lower of either the Representative Loan Score or a 640 score is used to qualify the borrower on the ALT-A Matrix. The loan may be priced using the actual Representative Loan Score.

INSUFFICIENT TRADELINES/NON-TRADITIONAL CREDIT

Non-traditional credit is not allowed. Each borrower must have a valid and usable score as defined in [Credit Score Requirements](#).

If the borrower does not meet the requirements for Standard Tradelines but still has a valid credit score, he or she may qualify under Limited Tradelines.

MORTGAGE AND RENTAL PAYMENT VERIFICATION

Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.

If the borrower is making payments to an individual or interested party, one of the following is required:

- A VOM/VOR along with the most recent 6 months of cancelled checks or bank statements, or
- A copy of the note/lease along with 12 months of cancelled checks or bank statements.

Properties held in the name of an LLC in which the borrower is personally obligated on the note must be included in the ratios and have the mortgage history documented.

All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current.

Balloon mortgages with an expired maturity date can be considered provided an extension has been executed. They will be considered a delinquency (1x30) not a housing event, provided the extension is executed within 180 days of the balloon's maturity.

See [DSCR Mortgage and Rental Payment](#) history requirements for specifics that apply to the DSCR Program.

ALT-A PLUS

All mortgages and rental payments must be 0x30x12. FTHBs require a 0x30x24 rental reference from at least one of the borrowers.

ALT-A

All mortgages and rental payments are permitted to a maximum of 0x90 over the past 12 months. See ALT-A Matrix for applicable LTV reductions. If Express (DU) is used all mortgage and rental payments must be paid and agreed for the last 12 months.

NO HOUSING HISTORY OR LESS THAN 12 MONTHS VERIFIED (INCLUDING RENT-FREE)

For ALT-A PLUS guidelines, refer to section [ALT-A PLUS – Living Rent-Free](#) and below.

Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:

- 10% minimum borrower contribution
- Maximum LTV of 80%
- VOR/VOM or PPVOR along with any available portion of a 12-month housing history must be paid as agreed, unless otherwise noted in these Guidelines.

Borrowers who are living rent free must provide a rent-free letter from the property owner.

Borrowers are not considered to have “no housing history” under the following circumstances::

- Borrower(s) who own their primary residence free and clear.
- Borrowers living in the marital home.
- Borrower(s) who sold a primary residence within the past 12 months and are currently residing rent free until subject transaction closes.

*Note: On ALT-A PLUS and ALT-A **Express (DU)**, a 0x30x12 housing/rental history is required.

For Express (DU), while DU may waive the requirements for a rental history on certain DU casefiles, documentation is still required to support a 0x30x12 history. It is permissible to allow the waiver of cancelled checks for private party VORs when permitted per DU.

MODIFICATIONS AND COVID RELATED FORBEARANCE

A mortgage modification resulting in any of the attributes listed below is subject to Housing Event seasoning section under [Housing Events](#):

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage

- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.
- Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured.

For COVID Related Forbearance and for Modifications as a direct result of COVID, follow below:

- Borrowers who entered into a forbearance plan but continued to make timely payments and remained employed without income disruption are eligible without any restrictions.
- Borrowers who entered a forbearance plan with missed payments are eligible with the following restrictions:
 - For ALT-A, if a minimum of three (3) timely payments have been made since the forbearance period expired, the borrower exited forbearance and there has been no modification to the loan and/or a deficiency balance placed on the loan, they are eligible without restrictions. If a deficiency balance has been applied to the loan, the borrower must be out of forbearance and have a minimum of six (6) timely payments prior to the closing of the new transaction.
 - For DSCR transactions, if the COVID related forbearance is on the subject property OR the primary residence, the borrower must be out of forbearance with a minimum of three (3) timely payments made with no deficiency balance applied to the loan; OR if a deficiency balance has been applied to the loan, the borrower must be out of forbearance and have a minimum of six (6) timely payments prior to the close of the new transaction. COVID related forbearances on non-subject or non-primary residences are not evaluated in the related DSCR Program.

ROLLING LATE PAYMENTS

Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

HOUSING EVENTS AND PRIOR BANKRUPTCY

A Housing Event is any one of the following events listed below:

- Foreclosure
- Deed-in-Lieu
- Short Sale
- Modification
- 1x120 mortgage history
- Charged off second mortgage or junior lien

Seasoning of a foreclosure, deed-in-lieu, or short sale is measured from the date of the court order to the note date of the new transaction. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed. See also [Mortgage Modification](#), and [Second Lien – Housing Event and Bankruptcy Seasoning Requirements](#).

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.

Charged off second or junior liens are subject to foreclosure seasoning periods, based on the date of the charge-off.

ALT-A PLUS

A minimum of 7 years must have elapsed from the completion date of a housing event for FTHB. See [ALT-A PLUS Housing & Credit Event Seasoning](#) section for details.

ALT-A & ALT-A EXPRESS

Refer to the ALT-A Matrix.

WRITTEN EXPLANATIONS FOR DEROGATORY CREDIT

Housing Events and bankruptcies in the most recent 2 years must be explained by the borrower with a signed letter of explanation. Housing lates > 60 days in the last 12 months are not acceptable. Explanation letters for medical collections, revolving lates or collections are not required.

For No Ratio loans, all derogatory revolving and installment accounts 60 days delinquent within four years of closing require a full explanation.

COLLECTIONS AND CHARGE-OFFS

Delinquent credit, such as charge-offs of non-mortgage accounts are to be considered as follows.

The following accounts may remain open for all Programs except the Investor DSCR No Ratio option:

- Collections and charge-offs < 24 months old with a maximum cumulative balance of \$5,000
- All medical collections
- Collections from factoring companies when the original debt can be verified on the credit report.

Under all Programs, except for No Ratio option, collection and charge-off account balances remaining after the exclusions listed above may remain open when one of the following is met:

- Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to the published reserve requirement); or
- Payment for remaining collections and charge-offs included in DTI results in final DTI $\leq 50\%$ (payment calculated at 5% of balance of remaining unpaid collections and charge-offs).

A combination of the two options above is allowed. A portion of the unpaid collection balance can be included in the DTI while the remainder is covered by excess reserves. Collections and charge-offs that cannot be factored into DTI or reserves must be paid off.

For the No Ratio option, non-title charge-offs and collections within three years and exceeding \$5,000 (individually or aggregate) must be paid. Medical collections less than \$15,000 are not required to be paid.

CONSUMER CREDIT COUNSELING SERVICE (CCCS)

Borrower enrollment in CCCS is allowed when a minimum of 12 months has elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, the balances can be excluded from the charge-off and collection limits in [Collections and Charge-offs](#). The monthly CCCS plan payment must be included in the DTI calculation.

If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency establishing the date of completion.

DELINQUENT CREDIT BELONGING TO EX-SPOUSE

Delinquent credit belonging to an ex-spouse can be excluded from the credit evaluation when all of the following apply:

- Borrower provides a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse.
- Late payments occurred after the date of the divorce or separation.
- Evidence of title transfer prior to any delinquent debt must be provided if debt is a mortgage, and evidence of buyout as part of court proceedings.

Collection accounts assigned to an ex-spouse may be excluded from aggregate collection totals with a divorce decree or separation agreement assigning the account solely to the ex-spouse.

See also [Contingent Liabilities](#).

DISPUTED ACCOUNTS

When the credit report contains tradelines disputed by the borrower:

- If the tradeline is paid as agreed, no further action is needed.
- If the disputed account has a zero balance or is being paid at closing, no further action is needed.
- If the disputed account has delinquency within two years of the credit report date and the account balance is \$2,500 or less, no further action is needed.
- If the disputed account has delinquency within two years of the credit report date and the account balance is over \$2,500, the credit file should be documented with a credit supplement showing the dispute has been resolved.
- If the total aggregate balance of accounts in dispute exceeds \$5,000, a minimum of 5% of the total balance must be included in the DTI.

JUDGMENTS, LIENS AND IRS TAX REPAYMENT PLANS

Judgments, Liens and IRS Tax Repayment Plans must be paid off prior to or at closing unless the requirements listed below are met.

Adverse credit that will impact title must be paid in full as title must ensure our lien position without exception.

Tax liens and IRS repayment Plans on a refinance may remain open when *(scroll below for No Ratio requirements)*:

- A copy of the repayment agreement is obtained.
- A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and
- The maximum payment required under the plan is included in the debt-to-income ratio.

Tax liens and IRS Repayment Plans on a purchase may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All of the following requirements must be met *(scroll below for No Ratio requirements)*:

- A copy of the repayment agreement is obtained.
- A minimum of 2 months has elapsed on the plan and evidence of timely payments for the most recent 2 months is provided.
- The maximum payment required under the plan is included in the debt-to-income ratio; and



- When a tax lien remains open, the title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.

IRS tax payment plans approved by the IRS are permitted on No Ratio loans provided they are current and do not carry a lien on the property.

- A copy of the approved repayment plan is required.
- A minimum of 2 months has elapsed on the plan and evidence of timely payments for the most recent 2 months is provided.

LAWSUIT/PENDING LITIGATION

If the application, title, or credit documents reveal that the borrower is presently involved in a lawsuit or pending litigation, a statement from the borrower's attorney is required. The statement must explain the circumstances of the lawsuit or litigation and discuss the borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed. The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of our first lien position.

PAST DUE ACCOUNTS

Past due active consumer debts can be no more than 30 days past due at the time of closing.

LIABILITIES

INSTALLMENT DEBT

Installment debt is a monthly obligation with fixed payments and terms. Payments on installment loans must be included in the borrower's debt-to-income ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining 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 prior to or at closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement, direct verification from the creditor, or the CD can be used for verification the debt was paid off. Installment debt may also be paid down to qualify.

If a vehicle lease is paid off to qualify, evidence that the car was purchased is required. The lease payments themselves are not considered paying off the debt.

REVOLVING DEBT

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment as stated on the credit report or current account statement 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 debt-to-income ratio calculation. A credit supplement can be obtained to verify what the minimum payment is if it is not reflected on the credit report.

Revolving accounts can be paid off prior to or at closing and do not need to be closed to exclude the monthly payment from the DTI. Supporting documentation, such as a credit supplement, direct verification from the creditor, or the CD can be used for verification the debt was paid off. See [Asset Documentation](#) for sourcing and seasoning requirements.

AUTHORIZED USER ACCOUNTS

Authorized user accounts should not be considered in the borrower's debt-to-income ratio.

CHILD SUPPORT, ALIMONY OR MAINTENANCE OBLIGATIONS

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 ten (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 taken into consideration, and an exception is allowed for alimony. A copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

For alimony and separate maintenance obligations, SOLVE Mortgage has the option to reduce the qualifying income by the amount of the obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio.

Note: For loan casefiles underwritten through DU, when using the option of reducing the borrower's monthly qualifying income by the alimony or separate maintenance payment, SOLVE Mortgage must enter the amount of the monthly obligation as a negative alimony or separate maintenance income amount. If the borrower also receives alimony or separate maintenance income, the amounts should be combined and entered as a net amount.

CONTINGENT LIABILITIES

An individual has a contingent liability when an outstanding debt has been assigned to another party and the creditor does not release the borrower from liability. Contingent liabilities can be excluded from the debt-to-income ratio under any of the following scenarios:

- Property resulting from buyout of former co-owner (i.e., divorce): file must include the court order and evidence of transfer of ownership.
- Mortgage assumption by third party: file must include the formal assumption agreement and evidence of transfer of ownership.
- Court ordered assignment of debts: file must include a copy of the court order assigning the debt to another party.

The payment history for the assigned debt after the effective date of the assignment does not need to be evaluated.

DEBTS PAID BY OTHERS

When a borrower is obligated on a non-mortgage debt but is not the party actually repaying the debt, the monthly payment may be excluded from the borrower's recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt but does not apply if the other party is an interested party to the subject transaction (such as the seller or realtor).

In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the most recent 12 months' canceled checks (or bank statements) must be obtained from the other party making the payments that document a 12-month payment history with no delinquent payments.

When a borrower is obligated on a mortgage debt but is not the party who is actually repaying the debt, the full monthly payment may be excluded from the borrower's recurring monthly obligations if:



- the party making the payments is obligated on the mortgage debt,
- there are no delinquencies in the most recent 12 months, and
- the borrower is not using rental income from the applicable property to qualify.

BUSINESS DEBT

A business debt is a financial obligation of a business and 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 personal 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 debt-to-income ratio with any of the following supporting documentation:

- Most recent 6 months canceled checks drawn against the business account; along with business financials reflecting the business expense; or
- Business bank statement showing assets remain after funds to close and reserve requirements are with a balance greater than or equal to the balance of the debt.

If the debt is less than 3 months old, the payment must be included in the debt-to-income ratio unless it is a vehicle and evidence the previous vehicle was paid by the business.

CURRENT RESIDENCE PENDING SALE

If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan.

SOLVE Mortgage aligns with Fannie Mae in not requiring the current principal residence's PITIA to be used in qualifying the borrower as long as the following documentation is provided:

- The executed sales contract for the current resident; and
- Confirmation that any financing contingencies have been cleared.

HOUSING PAYMENTS

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues, including Mandatory Membership Dues
- Any subordinate financing payments on mortgages secured by the subject property.

LEASE OBLIGATIONS

Car Lease obligations must be included in the debt-to-income ratio calculation, regardless of time remaining on the lease.

MATERIAL RECURRING NON-DEBT OBLIGATIONS

SOLVE Mortgage will not make inquiries or verifications prohibited by Regulation B.

A recurring non-debt obligation is defined as medical expenses for the borrower or a dependent of the borrower that are expected to continue for greater than one year.

If the broker informs SOLVE Mortgage of a recurring non-debt obligation, the loan file must be noted. If SOLVE Mortgage believes it could be material to the borrower's ability to repay the loan, escalation is required. Documentation of material recurring non-debt obligations should be done consistent with SOLVE Mortgage's ability to repay policies.

OPEN 30-DAY CHARGE ACCOUNTS

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, 5% of the outstanding balance will be considered to be the required monthly payment.

Open-end accounts do not have to be included in the monthly debt payment if the borrower has sufficient funds to pay off the outstanding account balance. The funds must be verified in addition to any funds required for closing and reserves.

If the borrower paid off the account balance prior to closing or at closing, proof of payoff may be provided in lieu of verifying funds to cover the account balance.

RETIREMENT/SAVINGS PLAN LOANS

Repayment for loans against a financial asset (retirement/savings plan, insurance policy) can be excluded from the total debt-to-income ratio provided the debt can be repaid by liquidating the asset. The value of the asset must be reduced by the amount of the debt when calculating funds to close and reserves.

STUDENT LOANS

Student loan payments must be included regardless of deferment or repayment in the DTI. If a payment amount is not identified, 1% of the current loan balance may be used.

If the borrower is on an income-driven payment plan, student loan documentation may be obtained to verify the actual monthly payment is \$0. The borrower may then qualify with a \$0 payment.

TIMESHARES

For credit review purposes, timeshare obligations will be considered installment loans.

UNDISCLOSED DEBTS

If asset statements provided reflect payments made on obligations not listed on the credit report or 1003, additional information must be obtained to determine if the liability should be included in the borrower's debt-to-income ratio.

If the obligation does not belong to the borrower, supporting documentation is required. If there is a non-borrower also on the account, a signed letter of explanation from the borrower is sufficient.

If the borrower is the obligor on the debt, an account statement and pay history should be obtained to review the account for acceptability. The payment must be included in the debt ratio.



EMPLOYMENT/INCOME

EMPLOYMENT/INCOME DOCUMENTATION

Documentation of income is allowed using [Full Documentation](#), [Bank Statement Documentation](#), and [1-Year Alternative Income Documentation](#).

IRS 4506-C TAX TRANSCRIPTS

A signed IRS 4506-C must be completed and signed by all borrowers on full doc transactions. The form must request the appropriate type of transcript based on the level of loan documentation (W-2s, full tax transcripts, etc.).

On full doc loans, one of the following is required:

- Wage earner's employment and income documented through a FNMA DU Validation Electronic Verification of Employment vendor (i.e., Blend, Equifax, Experian, Finicity, Truework), OR
- Transcripts executed for 1 or 2 years, depending on the level of income documentation.

In the event the most recent year's transcripts are not available, one of the following is required:

- The prior 1- or 2-years transcripts, depending on the level of income documentation, OR
- All of the following:
 - The prior year's transcripts when qualifying as a two-year full doc,
 - Copy of the e-filing certificate for the most recent year,
 - Proof the check cleared for any taxes due, or proof of receipt of the tax refund, and
 - Tax Transcript confirming "No Record Found."

The transcripts must be reviewed and compared to the qualifying income to confirm consistency. The results should generally be equal to or greater than the income used to qualify the loan. Any inconsistencies between the transcripts and the qualifying income should be addressed.

PAY STUBS AND W-2S

Pay stubs and W-2s must be typed or computer generated. They should provide the borrower's full name, address, employer name, year-to-date earnings, and rate of pay.

If pay stubs reflect garnishments (child support, IRS, etc.) or any loan deductions, additional information will be required to determine if a monthly payment should be included in the debt-to-income ratio calculation.

W-2s should reflect a nine-digit Employer ID Number (EIN). Also, Social Security and Medicare withholding should be calculated at the appropriate rates on the W-2s and pay stubs.

FEDERAL INCOME TAX RETURNS

For some types of income, federal income tax returns (personal and/or business) are required. See [Self-Employed Income](#) for detailed requirements.

WRITTEN VERIFICATION OF EMPLOYMENT (WVOE)

Income and employment for wage-earners or salaried borrowers may be obtained via direct written verification from the borrower's employer (FNMA Form 1005). The verification should be signed by a member of the company's human resource department or one of the business owners or officers. At a minimum, the verification must include the borrower's name, position, dates of employment, and base salary.



VERBAL VERIFICATION OF EMPLOYMENT (VVOE)

Verbal Verifications of Employment must be obtained for each borrower using employment income to qualify. VVOEs must meet all of the following criteria:

- Completed within 10 business days of closing.
- Confirm that the borrower is employed at time of verification.
- Include the name and phone number of the person processing the VVOE.
- Include the name, position and phone number of the person providing the verification (employer)
- The telephone number for the borrower's employer must be verified independently via any of the following: telephone book, the internet, directory assistance, or by contacting the applicable licensing bureau.

When VVOEs are completed through a third-party vendor, because their databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the note date.

For self-employed borrowers, the existence of the business must be independently verified through a disinterested third party within 30 business days of closing. The loan file should reflect the documentation secured from these sources. Sources may include:

- CPA, regulatory agency, or applicable licensing bureau
- Secretary of State listing reflecting current year registration
- Verification of a phone and address listing using the Internet.

Verbal Verifications of Employment are not required for Foreign National borrowers or on DSCR loans.

CPA/TAX PREPARER'S VERIFICATION

Tax Preparers must have a PTIN Number when available. If the state does not require a PTIN Number, it must be from a verifiable 3rd party tax preparer (verified by a business through the internet or state website) This requirement is for all sections of these Guidelines that a Tax Preparer maybe utilized.

CPA license verification must be completed through an online search such as <https://cpaverify.org/> . If unable to verify online, sufficient documentation must be provided to validate the license.

EMPLOYMENT HISTORY

Employment must be stable with at least a 2-year history in the same job or in the same field. Income from self-employment is considered stable if the borrower has been self-employed for 2 or more years.

FREQUENT JOB CHANGES

Frequent job changes to advance within the same line of work may be considered favorable. Job changes without advancement or in different fields of work should be carefully reviewed to ensure consistent or increasing income levels and the likelihood of continued stable employment.

GAPS IN EMPLOYMENT

Borrowers should provide a signed, written explanation for any employment gaps that exceed 30 days in the most recent 12-month period, or that exceed 60 days in months 13-24.

Recent graduates and borrowers re-entering the workforce after an extended period are allowed assuming they have been back to work for 6 months.

Note: Illness and childbirth are not considered for gaps in employment



FULL DOCUMENTATION

For all income sources, borrowers are qualified based on calculated stable monthly income over the most recent 2-year period. Income may be obtained from a variety of sources such as salary, bonus, commission, self-employment, etc., and should be reasonably expected to continue for the next 3 years.

WAGE-EARNERS

Income derived from a consistent hourly, weekly or monthly wage, must be verified by all of the following:

- W-2s for the most recent number of years per income doc type or Electronic Verification of Employment with income; and
- Pay stub(s) providing year-to-date earnings; and
- Signed and executed 4506-C (W-2 transcripts only); and
- Verbal Verification of Employment (VVOE) completed within 10 days of closing.

ANNUITY INCOME

Annuity income can be used for qualification when the following requirements are met:

- 12-month history must be verified using 1099s, tax returns, and/or bank statements
- Letter from issuer of annuity to be obtained stating that it has been set up on periodic withdrawal, amount of withdrawal, duration, and balance.
- Account asset balance must support the continuance of the monthly payments for at least 3 years after the close of escrow.

Annuities less than 12 months old must be in a non-revocable trust with a minimum term of 40 months in order to use the income to qualify.

For annuity distributions from a 401(k) or pension, see [Pension/Retirement](#).

AUTOMOBILE ALLOWANCE

For an automobile allowance to be considered as acceptable stable income, the borrower must have received payments for at least 2 years. The full amount of the allowance must be added to the borrower's monthly income, and the full amount of the lease or financing expenditure to the borrower's monthly debt obligations.

BONUS AND OVERTIME

Bonus and overtime can be used to qualify if the borrower has received the income for the past 2 years and it is likely to continue. An average of bonus or overtime income should be used.

A written Verification of Employment (FNMA Form 1005 or Electronic Verification of Employment) should be obtained to provide a breakdown of bonus or overtime earnings for the most recent 2 years. If the employment verification states the income is unlikely to continue, it may not be used in qualifying.

CAPITAL GAINS

When income from capital gains is used to qualify the borrower, tax returns for the most recent 2 years are required to determine if the income is recurring and may be considered in qualifying. If a capital gain appears to be a onetime occurrence, it should not be considered when calculating income available.

For the income to be considered stable and likely to continue, sufficient assets must be documented to show the borrower will continue receiving capital gains for a minimum of 3 years from note date. If the income is declining and/or there will be no asset base to generate the capital gains, it cannot be used for qualification purposes.



In addition, if assets that generated capital gains are being sold as part of the mortgage transaction, the income from capital gains must be reduced by a percentage equal to the percentage reduction in the value of the assets that generated the income.

CHILD SUPPORT, ALIMONY OR MAINTENANCE INCOME

In order for child support, alimony, or separate maintenance to be considered stable income, it must continue for at least 3 years from note date as specified by the court order. The following requirements apply:

- A copy of the divorce decree or legal separation agreement must be obtained.
- Documentation must be received to evidence receipt of the most recent 6 months of payments through copies of deposit slips, canceled checks, and/or bank statements.

Full and timely payments must have been received for 6 months or longer. Income received for less than 6 months is considered unstable and may not be used to qualify the borrower. Also, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for qualifying the borrower.

Note: SOLVE Mortgage expects brokers originating loans for sale to SOLVE Mortgage to make appropriate disclosures, as required under the federal Equal Credit Opportunity Act, that child support, alimony, or maintenance income information need not be provided unless the borrower wants SOLVE Mortgage to consider such income in underwriting the loan.

COMMISSION INCOME

Commission earnings should be averaged over the most recent 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 complete written Verification of Employment.

A borrower on their current job for less than 2 years with a minimum 2-year history of receiving commission in the same line of work may also qualify to use commission earnings.

If there are large fluctuations, the borrower must provide a signed, written explanation to support the increase or decrease in income. Additional supporting documentation is required to use commission income for qualification when documentation shows a [decline in earnings](#) from one year to the next.

With borrowers that receive a draw against the commission earnings, the draw income is not to be considered in addition to the commission income. Draws are only to be considered income paid in advance of receiving commissions, where the amount is then subtracted once the commissions are earned.

DECLINING INCOME

Declining income sources should be closely reviewed to determine if the income may be used for qualifying purposes. Income showing a consistent decline over the prior years should not be considered as stable or usable income for qualification purposes.

A signed, written explanation for the decline should be obtained from the borrower and/or employer. In instances where there is sufficient information to support the use of the income, the most recent lower income over the prior 2-year period must be used and may not be averaged.

DISABILITY INCOME

Long-term and short-term disability income can be used for qualification. The following documentation should be obtained for both long-term and short-term disability:

- Documentation from either the insurance company or employer providing the payment amount, conditions for termination of payment, and there is no evidence the income is not likely to continue.



- A copy of the most recent check or bank statement is required if the award letter does not reflect the current payment being received.

Short-term disability also requires the following documentation:

- Signed letter from borrower stating intent to return to work once the disability no longer exists.
- Verification from employer stating that the borrower will be allowed to return to work once the disability no longer exists. The letter must identify the borrower's position and rate of pay upon return. If the future employment income will be less than the disability income, the lower income amount must be used to qualify for the loan.

In documenting disability income, brokers originating loans for sale to SOLVE Mortgage must not make inappropriate and/or unlawful inquiries regarding the nature or severity of the borrower's disability.

DIVIDEND/INTEREST INCOME

Dividend and interest income derived from investments can be used as qualifying income when the following requirements are met:

Document a two (2) year history of income, as verified by:

- Copies of the borrower's signed federal income tax return; or
- Copies of the account statements

Sufficient assets should remain after closing to continue to generate an acceptable level of earnings. If assets that generated dividend/interest income are being sold as part of the mortgage transaction, the qualifying income must be reduced by a percentage equal to the percentage reduction in the value of the assets that generated the income.

Earnings should generally be averaged over the time period verified when current earnings are consistent with historical dividend and interest earnings.

EMPLOYMENT BY A RELATIVE

Income for borrowers who are employed by a relative must be verified with one of the following:

- Federal income tax returns for the most recent 2 years with transcripts.
- or
- W-2s for the most recent 2 years with transcripts; and
 - Pay stub(s) covering the most recent 30-day period.

Income should be averaged over the 2-year period. Clarification of potential ownership by the borrowers 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 their status should be provided by written confirmation obtained from a CPA or legal counsel.

FOREIGN INCOME

Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if the following requirements are met:

- Two years U.S. federal income tax returns reflecting the foreign income.
- Income is translated to U.S. dollars.
- Standard income stability and continuance requirements are met.

- Standard documentation requirements apply based on the type of income.
- Income from sanctioned countries administered by OFAC is not allowed.

FOSTER CARE INCOME

Income derived from foster care payments may be considered if there is a 2-year history of receipt and there is no evidence the income is not expected to continue.

The income can be verified by letters from the organizations and copies of borrower's deposit slips or bank statements showing regular deposit of the payments, or by providing federal income tax returns for the most recent 2 years. The documentation received must clearly show the number of foster children involved, their ages, and length of care.

Income must be averaged over the 2-year period and may not be considered for children who will reach the age of 19 within 3 years.

HOURLY WAGES

Borrowers paid on an hourly basis, or who may not work a regular 40-hour work week throughout the year, will generally have their income averaged over the minimum employment history required. If there is an indication of declining income, the current income is used instead of the average.

LUMP-SUM DISTRIBUTIONS

Proceeds from the sale of investments held in a 401(k) or IRA account are not eligible as an income source. See [Dividend/Interest Income](#) for related allowable income sources.

MINISTER/CLERGY INCOME

Ministers are individuals duly ordained, commissioned or licensed by a church or church denomination. Ministers and members of the clergy are generally considered self-employed unless exempted by IRS from self-employment taxes. If exempt, an exception from the IRS must be provided.

Rental or housing allowance received can be considered income for qualifying the borrower. Written documentation, such as a WVOE provided by the church, must be obtained showing receipt of the income. The borrower's pay stub should also reflect receipt of the housing allowance. If the borrower is newly employed, obtain a copy of the church budget (in lieu of a check) showing funds have been allocated for housing allowance. Housing allowance for ministers is non-taxable income and can be grossed up for qualifying.

The church may budget for educational, medical insurance, life insurance, retirement, etc. to be paid on behalf of borrower; however, these items will not be considered as qualifying income, unless exempted by the IRS. The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's 1040 should include housing allowance paid.

NON-TAXABLE INCOME

Non-taxable income can be grossed up by 25%. Examples of non-taxable income may include military allowances for clothing, quarters, and subsistence, child support, worker's compensation, disability retirement, social security income, clergy housing allowance, foster care income, food stamps, income from municipal bonds, and certain types of insurance benefits.

Some income types may contain both taxable and non-taxable income. Federal income tax returns may be required to accurately determine the non-taxable portion.
Income may not be grossed-up for calculating [Residual Income](#).

NOTES RECEIVABLE INCOME

Income from notes receivable can be used to qualify provided the income is regular and recurring. The borrower should have a documented history of receiving the income for at least 2 years and can verify that the income will continue for at least 3 years from note on the new mortgage.

A copy of the note confirming the amount, frequency and duration of payments is required along with tax returns for the most recent 2-year period (including Schedule B) or 12 months' bank statements showing consistent deposits of funds. Income from a recently executed note/contract (less than 12 months) may not be used as qualifying income.

PART-TIME/SECOND JOB INCOME

Verification of a minimum history of two years from secondary employment is recommended, however income that has been received for at least one year may be considered, as long as there are positive factors to offset the shorter income history.

PENSION/RETIREMENT

Pension and retirement income must be verified with any of the following:

- Letters from the organization providing the income.
- Copy of retirement award letters.
- Tax returns for the most recent 2 years
- W-2 forms or 1099 forms for the most recent 2 years
- Bank statements reflecting regular deposits for the most recent 2 months.

PROOF OF CONTINUANCE

If the borrower is of retirement age, proof of continuance does not have to be documented when the income is received from corporate, government or military retirement/pension.

If retirement income is in the form of monthly annuity distributions, such as 401(k) or IRA, proof of continuance for 3 years is required. If the borrower intends to use the retirement account to also satisfy asset requirements, the value of the asset must be reduced by the funds being withdrawn prior to determining a 3-year continuance of income. Assets available beyond the deduction for continuance of income may be used as reserves. See also [Retirement Accounts](#).

FORTHCOMING RETIREMENT

Any borrower presently employed but anticipating retirement within 3 years from note date must be evaluated upon the verified anticipated retirement income. Effective income for borrowers planning to retire (or end employment for other reasons) during the period must include the amount of documented retirement or other benefits to be received, Social Security payments, or other payments expected to be received in retirement. A combination of present earnings and future retirement income does not represent a supportable level of earnings.

PUBLIC ASSISTANCE

Income from government assistance programs, such as food stamps, Aid to Dependent Children, or welfare, can be used as qualifying income provided such income has a reasonable likelihood of continuing for at least 3 years.

The applicant must provide a copy of a benefits awards letter as evidence of eligibility. This documentation must verify the amount of assistance, duration of payment and what portion if any is non-taxable. Verification of receipt of benefits for the previous 2 years can be documented with copies of checks, copies of bank statements, copies of award letters or copies of grant statements.

In documenting and evaluating public assistance income, SOLVE Mortgage expects brokers originating loans for sale to SOLVE Mortgage to comply fully with the requirements of the federal Equal Credit Opportunity Act and applicable state anti-discrimination laws.

RENTAL INCOME

Rental income can be used for qualifying when disclosed on the loan application.

RENTAL INCOME ON THE TAX RETURNS

When tax returns are used for qualifying, rental income should be calculated using the FNMA Cash Flow Analysis Method. When income is being qualified using two (2) years, an average of income should be used unless the rental income is declining, in which case the most recent year's income should be used for qualifying.

- Cash Flow Analysis of the Schedule E should be completed as follows:
 - Gross Rents and Royalties received.
 - Less Total Expenses
 - Plus Depreciation
 - Plus Insurance
 - Plus Mortgage Interest
 - Plus Taxes
 - Plus HOA fees (if included on the Schedule E)
 - Subtotal / 12 (24) months
 - Primary Residence: This figure would be used as net rental income/loss and the full PITIA will be counted as a debt.
 - Rental Property: This figure less the proposed/existing monthly payment will be used to determine net rental income/loss.

RENTAL INCOME NOT ON TAX RETURNS

In instances when tax returns are not provided in the loan file, rental income should be documented in the following manner.

- Evidence of borrower's ownership of the property
- For a refinance and/or to document rental income on other REOs:
 - Lease agreement
 - Two months of bank statements demonstrating receipt of rental income.
 - Evidence the rental amount is at market rate, which can be documented via a 1007 or through an online source.
 - 75% of the rental amount on the lease is used for qualifying.

- Primary Residence: This figure would be used as net rental income/loss and the full PITIA will be counted as a debt.
 - Rental Property: This figure less the proposed/existing monthly payment will be used to determine net rental income/loss.
- Rental income from a new property being acquired through a purchase transaction:
 - 75% of the appraiser's opinion of market rent on FNMA Form 1007 or Form 1025, as applicable
 - Primary Residence: This figure would be used as net rental income/loss and the full PITIA will be counted as a debt.
 - Rental Property: This figure less the proposed/existing monthly payment will be used to determine net rental income/loss.
 - For ALT-A PLUS, rental is only permitted when leases are being transferred with the purchase. Rental on vacant units not permitted.
- Rental Income from a Departing Residence:
 - 75% of the rental amount on the lease if used for qualifying.
 - Evidence the rental amount is at market rate, which can be documented through an online source or a 1007.

SHORT TERM RENTALS

Short Term Rental (STR) income received directly from a home-sharing service (such as Airbnb, VRBO, HomeAway) may be used for qualification when the following requirements are met on Full and Alt Doc loans. For DSCR loans (1-4 Units Only), see DSCR section of these Guidelines for requirements and restrictions. STRs are not permitted for Investor DSCR. **Refer to Program Matrices for STR eligibility.**

- Short Term Rentals are properties leased on either a nightly, weekly, monthly, or seasonal basis.
- All STRs require evidence from third party vendor (such as Property Guard, Vrolio or equivalent), validating that the governing municipality where the subject STR is located allows properties to be rented as STRs; with the exception of the five (5) New York City Boroughs (Manhattan, Brooklyn, The Bronx, Queens and Staten Island), which are ineligible.
- For DSCR loans (1-4 Units Only), see [DSCR – Short Term Rental Income](#) section of these Guidelines for requirements and restrictions.
- STRs are not permitted for No Ratio.
- Rental Income Documentation Options:
 - **Option 1:** Lesser of 1007/1025 completed using either long-term or short-term market rents.
 - When the 1007/1025 is prepared with the use of short-term rentals, the appraiser is required to address the seasonality of the subject property short term rental market in computing the market rent. If the appraiser fails to appropriately address for seasonality, gross rents should be computed using the vacancy factor as determined by the AirDNA Property Earning Report. For example, if the occupancy rate is 40%, a 60% vacancy factor must be applied to the short-term rental income from the comparable rent schedule.
 - When long-term rents are used on the 1007/1025, a 25% vacancy factor must be applied when computing the rental income.
 - On a refinance, a screen shot of the online listing must show the property is actively marketed as a short-term rental.
 - **Option 2:** 12-month lookback period to determine avg rents or annual or monthly statements from AirBNB or similar service.



- **Option 3:** 1040s along with a Schedule E.

RESTRICTED STOCK UNITS (RSU)

Restricted stock units (RSUs) are issued to an employee as a form of compensation based on either performance or time. They can be awarded as either stock or an equivalent cash value of the number of shares awarded and usually vest over a certain number of years. After they vest, the employee may sell the shares at the current price or hold the stock for future sale.

To be used as qualifying income, the restricted stock must have vested and been distributed to the borrower without restrictions.

For performance-based awards:

- A minimum of 24 months history of restricted stock income from the current employer is recommended. Restricted stock income received from 12 to 24 months from the current employer may be considered acceptable if there are positive factors to offset the shorter income such as:
 - Future vesting equal to or greater than previous vesting and that will continue for at least 24 months; or
 - Restricted stock income received from the previous 5 years from any employer.

For time-based awards:

- A minimum of 12 months history of restricted stock income from current employer

Note that sign-on bonuses received in the form of restricted stock that vest over any length of time cannot be considered as eligible income.

The following documentation is required:

- Evidence that stock is publicly traded;
- Current vesting schedule reflecting past and future vesting;
- Brokerage or bank statement showing receipt of previous year(s) distribution of restricted stock and, at minimum, the number of vested shares or cash equivalent; and
- A completed WVOE that shows restricted stock distributions, or the borrower's recent paystub and year end W2s or paystubs showing the stock distributions.

SEASONAL INCOME

Income from seasonal employment can be considered if the applicant has worked the same job during the season for the past 2 years and expects to be rehired for the next season.

A written Verification of Employment and W-2s for the most recent 2 years are required. The WVOE must reference the likelihood of the borrowers being rehired. Seasonal income should be averaged over a 2-year period.

SELF-EMPLOYED INCOME *NOTE FNMA LIQUIDITY TEST IS NOT REQUIRED

A borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S corporation.

To utilize self-employed income for loan qualification, borrowers must be self-employed for at least 2 years and the business must be in existence for at least 2 years.

QUALIFYING INCOME

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 most recent months must reflect deposits that support those sales from the P&L and the qualifying income from the prior year's tax return.

When analyzing tax returns, the following may be added back to compute the qualifying income:

- Depreciation
- Depletion
- Business use of the home
- Amortization/casualty loss
- Nonrecurring losses: note that nonrecurring income must be excluded
- Net operating losses being carried forward from prior years

SOLE PROPRIETORSHIP

A sole proprietorship is a business structure in which an individual and his or her company are considered a single entity for tax and liability purposes. Income and losses are reported on the owner's schedule C of the individual federal income tax return.

Documents required for determining income from a sole proprietorship are:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- Borrower signed and dated year-to-date profit and loss statement up to the most recent month preceding the loan application; and
- Two (2) months of business checking account statements for the most recent 2 months on the P&L; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 30 business days of closing.

PARTNERSHIPS

A partnership is a business organization in which 2 or more individuals manage and operate the business. The partners share profits and losses and control of the business.

Documents required for determining partnership income are:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years (if applicable); and
- Partnership tax returns (IRS Form 1065) for the most recent 2 years, including all schedules and K-1s (Note: If borrower is a limited partner with less than 50% ownership, partnership tax returns are not required); and
- Borrower signed and dated year-to-date profit and loss statement up to the most recent month preceding the loan application; and
- Two (2) months of business checking account statements for the most recent 2 months on the P&L; and



- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 30 business days of closing.

CORPORATIONS

A corporation is a legal entity that is separate and distinct from its owners. If a borrower has more than 25% ownership in a corporation, they are considered to be self-employed. A borrower that is self-employed as a corporate officer will receive a pay stub and W-2 and will report income on his or her personal tax returns. Corporate income or losses are reported on the corporate tax returns (IRS Form 1120).

Documents required for determining income from a corporation:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120) for the most recent 2 years, including all schedules; and
- Borrower signed and dated year-to-date profit and loss statement up to the most recent month preceding the loan application; and
- Two (2) months of business checking account statements for the most recent 2 months on the P&L; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 30 business days of closing.

S CORPORATIONS

A Subchapter S corporation is a type of corporation which enables the company to have the benefits of a corporation but be taxed as if it were a partnership. S corporations are generally small corporations. The profit of the corporation is given to each owner according to his or her share of ownership. The adjusted profit is then divided by the borrower's share of ownership and combined with W-2 income used for qualifying. Income is reported with both a W-2 and K-1 (reporting on the Schedule E) or only with a K-1.

Documents required for determining income from an S corporation:

- Federal income tax returns (IRS Form 1040) for the most recent 2 years, including all schedules; and
- W-2s for the most recent 2 years; and
- Corporate tax returns (IRS Form 1120-S) for the most recent 2 years, including all schedules and K-1s; and
- Borrower signed and dated year-to-date profit and loss statement up to the most recent month preceding the loan application; and
- Two (2) months of business checking account statements for the most recent 2 months on the P&L; and
- Signed and processed IRS form 4506-C (full 1040 transcripts capturing all schedules); and
- Verification of the existence of the business within 30 business days of closing.

1099 INCOME

Payments to sole proprietors or contract individuals are reported on IRS Form 1099 and included in the borrower's schedule C. Tax returns may be waived and wage-earner documentation requirements followed in [Wage-Earners](#) when all of the following requirements are met:

- 1099s for the most recent 2 years are provided or 1 yr with evidence the borrower has been 1099 a minimum of 24 months.
- 1099s are validated with a wage and income transcript from the IRS only when borrower is employed by family members or related individuals.



- When the most recent 1099 is greater than 90 days from the note date, evidence of year-to-date earnings, are verified via a YTD paystub, written VOE, or other equivalent third- party documentation or YTD Bank statements.
- Documentation is obtained from employer/employers confirming that borrower has no job-related expenses or will assume 10% expenses.
- Note that this option for qualifying (as a business owner paid via Form 1099) is not available for ALT-A PLUS. Refer to the Program matrix for eligibility.

If the borrower does not meet the requirements above, tax returns for the most recent 2 years (IRS Form 1040) are required to determine income and related expenses.

Note: 1099 forms covering a full 2-year period are not required when a borrower changes from being paid W-2s to 1099s while working for the same employer in the same position. Documentation must be obtained from the employer confirming the borrower has no job-related expenses.

REDUCED DOCUMENTATION FOR A SECONDARY BUSINESS

Business tax returns, associated schedules, and profit and loss statements may be waived when all of the following requirements are met for ALT-A:

- Income/loss referenced on personal tax returns is generated from a secondary business that is not the borrower's primary income source; and
- Income/loss from each separate business is $\leq 10\%$ of qualifying income for the transaction; and
- All losses are subtracted from the borrower's qualifying income.

If income from a business is used to qualify the borrower, or if business expenses are added back to income or a loss, then business tax returns, associated schedules, and profit and loss statements must be obtained. Discretion may be used whether or not to obtain all documentation for self-employed earnings when the secondary business may have a significant impact on the loan.

CASH FLOW ANALYSIS

SOLVE Mortgage will prepare a written evaluation of the analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's federal income tax returns.

SOCIAL SECURITY INCOME

When a borrower is drawing Social Security benefits from their own account/work record in the form of Retirement or Disability, one of the following items is required:

- Social Security Administrator's (SSA) Award letter, or
- Proof of current receipt

When a borrower is drawing benefits from their own account/work record in the form of Supplemental Security Income (SSI), both the award letter AND proof of current receipt must be obtained.

When a borrower is drawing Social Security benefits from another person's account/work record, all of the following items are required:

- SSA Award letter
- Proof of current receipt; and
- Proof benefit will continue for at least 3 years (e.g., verification of beneficiary's age)

See also Non-Taxable Income.

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 uncertainty exists, the borrower may provide a copy of their contract or the school district's personnel office may provide verbal confirmation.

TIPS AND GRATUITIES

Tips and gratuity income can be considered if receipt of such income is typical for borrower's occupation (i.e., waitperson, taxi driver, etc.). Income should be received for at least 2 years and documented through the most recent year-to-date pay stubs along with one of the following:

- 2 years W2s and W2 Transcripts, OR
- 2 years 1040s, along with IRS Form 4137, Social Security and Medicare Tax on Unreported Tip Income (when necessary), to verify tips not reported through the employer, and Tax Transcripts.

See [Alt Doc – Tip Income](#) for alternative qualifying options.

TRAILING SPOUSE OR CO-BORROWER INCOME/RELOCATION

Trailing spouse income or co-borrower income to be received when the borrower is being relocated is not allowed to be used as qualifying income.

TRUST INCOME

Trust income can be used for qualification as follows:

- Variable trust payments require a 24-month history of receipt and must be documented by tax returns.
- Fixed trust payments require either:
 - A minimum 12-month history of receipt; OR
 - A minimum of one payment received prior to closing provided:
 - The payments are fixed, AND
 - The borrower is not the grantor of the trust.

In either case, proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation.

Continuance of the trust income must comply with standard income requirements:

- When trust income is derived from rental income, evidence of three-year continuance is not required.
- When the income is a fixed payment from a depleting asset, three years' continuance is required.

UNACCEPTABLE INCOME

- Gambling winnings (except lottery continuing for 5 years)
- Educational benefits
- Stock options
- Refunds of federal, state, or local taxes
- Illegal income
- Expense account reimbursement

UNEMPLOYMENT COMPENSATION

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 on with a 2-year employment history in the same field of work and a 2-year history of receipt of unemployment compensation. Income should be averaged over the time period verified.

VA SURVIVORS' BENEFITS/DEPENDENT CARE

VA benefits must be documented with a copy of the award letter or distribution forms and must continue for at least 3 years.

1-YEAR INCOME DOCUMENTATION

1-Year Alternative Income Documentation is available under the ALT-A PLUS and ALT-A including when using Express (DU) Programs. See applicable Program Matrix for LTV, and credit score restrictions.

In lieu of the standard 2-year documentation requirement for wage-earners and self-employed borrowers, the following will be accepted:

- Wage-Earners: the most recent year W-2 and pay stub(s) covering the most recent 30-day period providing year-to-date earnings (1099 also acceptable: see [1099 Income](#))
- Self-Employed Full Doc: the most recent year filed federal income tax returns (personal and business; extensions are not allowed) and year-to-date P&L and 2 months business bank statements for the most recent 2 months on the P&L.
- Self-Employed Bank Statements: 12 months complete personal or business bank statements from the same account

Self-employed borrowers must be self-employed for at least 2 years, and the business must be in existence for at least 2 years.

Bonus, overtime, and/or commission income for wage-earners may also be documented for 1 year. A written VOE must be obtained stating that the bonus, overtime, and/or commission income is likely to continue. Certain types of supplemental income are not eligible for 1-Year Alternative Income Documentation (i.e., dividend/interest income, capital gains, or any source requiring a two-year lookback).

All other requirements for [Full Documentation](#) apply. See the following sections for complete documentation requirements:

- [Wage-Earners](#)
- [Self-Employed Income](#)
- [Personal Bank Statements](#)
- [Business Bank Statements](#)

BANK STATEMENT DOCUMENTATION

GENERAL REQUIREMENTS

Self-employed borrowers are eligible for either Personal Bank Statement Documentation or Business Bank Statement Documentation. The following restrictions apply to both documentation types:

- Borrowers must be self-employed for at least 2 years; and the business must be existence for a minimum of 2 years as evidenced by a letter from either the business tax professional, regulatory



agency or licensing bureau. For ALT-A, borrowers with less than 2 years as self-employed may be eligible under one of the following 2 options:

- **Option 1:**

Must be self-employed for a minimum of 18 months and must have a minimum of three (3) years prior experience in the same line of business.

- See applicable overlays below.

- **Option 2:**

Self-employed borrowers in a licensed profession (i.e., Medical, Legal, Accounting) will be considered from a business that's been in existence for less than two (2) years, but greater than one (1) year provided the borrower meets the following requirements:

- Borrower has at least three (3) years of documented previous experience in the same profession, or
- Evidence of formal education in a related field, and
- See applicable overlays below:

- **For Option 1 and Option 2, the following overlays apply:**

- Minimum 700 score
- Max LTV of 80% O/O; 75% 2nd Home; 70% for N/O/O
- Not permitted FOR ALT-A including when using Express (DU) or Super Jumbo

- For borrowers who are independent contractors and do not necessarily own their own business, they may be qualified using bank statement documentation and must follow the co-mingled accounts guidance. Evidence of filing tax returns and a Schedule C for 2+ years must be provided by their CPA/Tax preparer, as well as an Expense Factor and/or P&L supporting their expenses. See [Calculating Qualifying Income](#) for more detail.
- The Employment Section of the application must include a minimum of 2 years employment history.
- Non-Permanent Resident Aliens without U.S. Credit and Foreign Nationals are ineligible.
- Non-Profits and Not for Profits are not permitted.
- At least one of the borrowers must be self-employed.
- Verify the business is active and operating within 30 days of closing with either a phone listing and/or business address using directory assistance or internet search. In instances where an online listing or search is not possible due to the nature of the borrower's employment (i.e. consultants), verification of activity within 30 days of the note date can be provided via evidence of receipt of business income within 30 days of the note supported by either invoices, bank statements showing business deposits, or similar means to support the business' recent operation.
- **Tax returns and 4506-C are not required. If Tax returns and/or Transcript are provided, the loan will be ineligible.**

BANK STATEMENT ANALYSIS REQUIREMENTS

- Statements must be consecutive and reflect the most recent months available.
- Transaction Histories are not acceptable in lieu of bank statements.
- Asset Statements received via a third-party asset verification vendor are acceptable as long as:
 - The information provided conforms to the information that would be provided on bank statements, **and**
 - Provider is an authorized FNMA DU Validation vendor. A list of approved vendors can be found at: <https://singlefamily.fanniemae.com/applications-technology/desktop-underwriter-validation-service/du-validation-service-verification-report-vendors>
- Statements must support stable and generally predictable deposits.
- ATM deposits may be included if a consistent pattern of deposits is present.
- Deposits greater than 50% of the average gross deposits over a 12-month period must be sourced.



- Any deposit deemed as non-business income will be excluded from the income analysis.
- Statements should show a trend of ending balances that are stable or increasing over time.
- Decreasing or negative ending balances must be explained.
- Transfers from other accounts on personal/comingled account statements must be documented or excluded. Net transfers between accounts must be excluded when multiple accounts are used for qualifying.
- Transfers from other accounts on business account statements must be documented or excluded only if above the large deposit threshold, or if the deposits appear not to be business income (i.e. proceeds from a loan, online transfers from other accounts owned by the borrower, refunded expenses, tax refunds, another source of documentable income, etc.). Net transfers between accounts must be excluded when multiple accounts are used for qualifying.
- Wire transfer deposits on personal account/co-mingled statements must be sourced as business income or excluded.
- Wire transfer deposits on business account statements must be sourced only if above the large deposit threshold, or if the deposits appear not to be business income (i.e. proceeds from a loan, refunded expenses, tax refunds, another source of documentable income, etc.).
- If bank statements provided reflect payments being made on obligations not listed on the credit report, see [Undisclosed Debts](#) for additional guidance.
- The most recent bank statement used for the Bank Statement Analysis must be within 90 days of the Note Date. For all Programs using bank statements to qualify, in the event updated bank statements are provided to source additional assets and/or funds to close, the Bank Statement Analysis would not need to be updated to reflect those updated statements provided the statements in file not expired as of the note date. When updated bank statements are provided, the income must be recomputed using the most recent statements provided.
- Any supporting documentation, such as a P&L statement used in conjunction with the bank statements must align with the dates of the bank statements used for qualifying.

ALT DOC COMBINED WITH OTHER INCOME SOURCES

- **W-2 Wages:** Additional income deposited into the bank statements but derived from a source other than the self-employed business may not be included in the bank statement average. W-2 earnings must be documented as per the requirements in [Wage-Earners](#) along with a processed 4506-C verifying the W-2 earnings only.
- **Rental Income:** Borrowers using Bank Statement Documentation, who also receive rental income as a secondary source, are permitted to qualify using both sources of income. When considered, a 25% expense ratio can be used with evidence of deposits of the rent and copies of the lease. The deposits must be verified through 2-month bank statements from a separate account other than the one used to calculate the self-employed income.
- **For ALT-A PLUS, additional income sources cannot represent more than 50% of the total qualifying income.**

UNDERWRITING NSF'S

- NSF activity in the past 12 months must be satisfactorily explained by the borrower. Excessive NSF or overdraft activity may preclude the borrower from bank statement eligibility at underwriter's discretion.
- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered unless tied to Overdraft protection. NSF Fees associated with a pre-arranged link to a savings account, line of credit, or when handled according to a banking institution's standard policy are acceptable when:
 - **Overdraft protection from a depository/checking 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 which 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.



- **Overdraft protection as standard policy from a banking institution:** Occurrences may be excluded if the standard policy of the banking institution automatically provides clients with overdraft protection services that are not linked to another account and the overdrawn transactions are paid in full and not returned as NSF on or after the transaction date.
- Bounced check NSF fees are not considered when it's a customer's check that was returned.
- **Occurrences included in the analysis are subject to the following tolerances:**
 - An occurrence is defined as one or more checks returned the same day excluding customer checks that were returned. NSFS are reviewed for the past 12-month period only.
 - If there are two (2) or more occurrences in the most recent two (2) month time period, up to five (5) occurrences are allowed in the most recent twelve (12) month time period.
 - If there are zero (0) occurrences in the most recent three (3) month time period, up to seven (7) occurrences in the most recent twelve (12) month time period is acceptable.
- The Underwriter, at their discretion, may consider tolerance deviations outside of the above with a sufficient 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. The letter will be reviewed by the underwriter to ensure the explanation supports the viability of income and overall strength of the transaction.

PERSONAL BANK STATEMENTS – 12- OR 24- MONTHS

Borrowers may provide either 12 or 24 consecutive months of personal bank statements. See the applicable Program Matrix for credit score and LTV restrictions.

The following documentation is required (see also [Bank Statement Documentation](#)):

- 12 or 24 months complete personal bank statements from the same account
- Most recent 2 months of BUSINESS bank statements if available. If a business account does not exist, see co-mingled accounts section below for guidance.
- To consider allowing 100% of deposits, evidence of online transfer/check from the business account to the personal account must be evident.
- When using 100% of online transfer/check deposits going from the business account to the personal account, all other deposits are excluded.
- A pattern/history of deposits from the business account to the personal account must be established.
- When personal accounts are jointly owned and the other party is not an owner of the business and/or a borrower on the loan, all deposits not able to be readily identifiable as business income must be excluded.
- For ALT-A, verify the borrower owns a minimum of 20% of the business by providing a CPA/tax preparer letter, operating agreement or equivalent reflecting the borrower's ownership percentage.

CALCULATING QUALIFYING INCOME

- Qualifying income using Personal Bank Statement Documentation is the sum of total eligible deposits divided by 12 or 24 months.
- Only transfers or deposits from the business account(s) are considered eligible deposits.

CO-MINGLED ACCOUNTS

Co-mingled accounts are defined as a single account reflecting both personal and business expenses. Co-mingled accounts are considered a business bank statement and one of the Expense Methods under the Business Bank statements section below must be used to calculate the income.



BUSINESS BANK STATEMENTS

Borrowers may provide either 12 or 24 consecutive months of business bank statements

The following documentation is required (see also [Bank Statement Documentation](#)):

- 12- or 24-months complete business bank statements from the same account
- Multiple bank accounts maybe used for multiple businesses.
- Multiple bank accounts may also be used if a borrower shows they closed the initial account to use another.
- Multiple bank accounts maybe used for the same business, provided transfers amount accounts are excluded.
- Business bank accounts, personal bank accounts addressed to a DBA, or personal accounts with evidence of business expenses can be used for qualification.
- Required Expense Statement Documentation applicable to Calculation Option chosen (see [Calculating Qualifying Income](#) for requirements).
- Qualifying Income must be multiplied by the ownership percentage to determine the owner's portion of income allowed for the transaction.
- Verification borrower has a minimum 25% ownership of the business for ALT-A PLUS, Flex ALT-A, ALT-A ITIN, Super Jumbo and 2nd Lien is required.
 - Ownership percentage must be documented via Tax Preparer, CPA letter, Operating Agreement, or equivalent.
 - All non-borrowing owners of the business or the CFO, Tax Preparer, or CPA for the company must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to the account for income-related purposes.

CALCULATING QUALIFYING INCOME

To calculate qualifying income using Business Bank Statement Documentation, choose one of the documentation options below applicable to the Expense Statement method chosen:

OPTION 1: 50% EXPENSE RATIO

Qualifying Income is the monthly net income from deposits less the 50% expense ratio.

OPTION 2A: P&L FROM A CPA OR TAX PREPARER WITH 12- OR 24- MONTHS BANK STATEMENTS

Qualifying Income is the monthly net income from deposits less the P&L expense ratio (minimum 10%)

Required P&L Documentation:

- P&L Statement covering the same 1- or 2-year period as the bank statements.
- P&L must be signed and dated by the tax preparer.
- The tax preparer must attest that they have prepared the borrower's most recent tax returns.

OPTION 2B: 24- OR 12-MONTHS P&L FROM A CPA OR TAX PREPARER AND 2 MONTHS BANK STATEMENTS

When calculating income with a 12- or 24-month P&L and 2 months of bank statements,

- Qualifying income is the monthly net income from the P&L divided by the number of months covered by the P&L.
- Depreciation, depletion and amortization/casualty losses listed on the P&L may be added back to the applicant's income.



- The monthly gross revenue from the P&L must be supported by the bank statements provided. The total monthly average deposits from the bank statements, minus any disallowed deposits, must be no more than 20% less than the monthly gross revenue on the P&L.

Required P&L Documentation:

- P&L Statement covering either 24 or 12 months.
- P&L must be signed and dated by the tax preparer.
- The tax preparer must attest that they have prepared the borrower's most recent tax returns.

Option 2B temporarily not available in MS.

OPTION 3: THIRD-PARTY PREPARED EXPENSE STATEMENT

Qualifying Income is calculated by determining total deposits per bank statements (minus any disallowed deposits) multiplied by the expense percentage provided by CPA or tax preparer and divided by either 12 or 24 months.

The **Expense** Statement must be prepared and signed by a third-party (CPA or licensed tax preparer) specifying business expenses as a percentage of the gross annual sales/revenue. The tax preparer must attest they have either prepared or reviewed the borrower's most recent tax return. A minimum 10% Expense Ratio is required.

P&L ONLY

- Available on ALT-A only (excluding Express DU)
- Minimum score of 680
- Max Loan Amount \$1,500,000
- 700+ Score: Max LTV is the lesser of the Max LTV on the Program Matrix or 80% for Owner Occupied; or 75% for NOO or Second Home
- 680-699 Score: Max LTV is the lesser of the Max LTV on the Program Matrix or 75% for Owner Occupied; or 70% for NOO or Second Home
- 12- or 24-month P&L prepared and signed by CPA/EA or Tax Preparer. For Wholesale loans, a Verbal verification is required prior to closing. This requirement does not apply to Correspondents.
- CPA/EA/Tax Preparer must attest to the fact they have prepared the borrower's most recent tax returns.
- Qualifying income is the monthly net income from the P&L divided by the number of months covered by the P&L.
- Depreciation, depletion and amortization/casualty losses listed on the P&L may be added back to the applicant's income.



ALT DOC – 1099 DOCUMENTATION

1099 Income documentation eligibility is limited to individual borrowers being paid via a 1099 but are not the business owner of the entity issuing the 1099. Self-Employed borrowers who are business owners paying their earnings via a 1099 are not eligible for this income documentation.

- Evidence of year-to-date earnings via YTD bank statements, a printout of YTD wages from their employer/employers or the SOLVE Mortgage VOE with YTD income must be completed by each employer, only when the 1099 is > 90 days from the Note Date.
- A 10% automatic expense ratio will apply when the 1099 is paid to the borrower individually. In the event the 1099 is paid to the borrower's business, the loan may be considered, however an Expense Letter from the borrower's CPA/Tax preparer is required to determine the qualifying income.

ALT DOC - ASSET UTILIZATION

Asset Utilization may be used as the primary source of income or supplemental income to other primary sources of income, to determine qualifying income. See the applicable Solve Mortgage Matrix for credit score and LTV restrictions. Asset Utilization is allowed under the **ALT-A** and **Foreign National Programs**. Additionally, Asset Utilization may be combined with **ALT-A** for OO LTV limits and the Occupancy Restrictions section in the related Program Matrix for Second Homes and Non-Owner-Occupied.

ELIGIBLE ASSETS

Qualified Assets can be comprised of publicly traded stocks, bonds, mutual funds, vested amount of retirement accounts and bank accounts. If a portion of the Qualified Assets is being used for down payment, closing costs, or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination. Three (3) months' seasoning of all assets is required.

When asset utilization is the only source of income, reserves are not required. When asset utilization is a supplemental source of income, traditional reserve requirements must be met.

All individuals listed on the asset account must be on the note and mortgage. Assets held in the name of a business are not eligible to be used for the asset utilization calculation.

Asset statements utilized for asset utilization cannot be used to document any other income source.

The following assets are considered Qualified Assets and can be utilized to calculate income:

- 100% of checking, savings, and money market accounts
- 80% of the remaining value of stocks & bonds
- 70% of retirement assets (Borrowers younger than 59 ½ use 60%)

The qualified assets and reserves may be deposited in financial institution(s) outside of the United States subject to State/LTV restrictions. The value of the asset must be converted to US dollars using the current exchange rate.

Assets held in a trust are eligible as long as the following requirements are met:

- If the funds are held in a revocable trust, the borrower is the trustee.
- If the funds are held in an irrevocable trust, the borrower is the beneficiary and the borrower has immediate access to the assets of the trust.
- Based on the asset type, use the above percentages to calculate the Qualified Assets.

CALCULATING QUALIFYING INCOME – ALT-A

For the ALT-A Program, to calculate qualifying income using Asset Utilization, choose one of the options below:

OPTION 1: DEBT RATIO CALCULATION in addition to any other income type

When the DTI without asset utilization is 60% or less, then follow the below calculation when determining the amount of income to use as secondary income from assets.

The income calculation is as follows:

$$\text{Monthly Income} = \text{Net Qualified Assets} / 36 \text{ Months}$$

OPTION 2: Debt Ratio CALCULATION ASSET CALCULATION

When the DTI without asset utilization is > 60% or when the borrower's entire income is comprised of income from assets, the monthly income calculation is as follows:

$$\text{Monthly Income} = \text{Net Qualified Assets} / 60 \text{ Months}$$

Employment is left blank.

CALCULATING QUALIFYING INCOME - SUPER JUMBO

Asset Utilization is permitted to supplement employment or other primary source of income, as follows:

The DTI without asset utilization must be < = 50%, then follow the below calculation when determining the amount of income to use as secondary income from assets to attain a Max DTI of 38%.

$$\text{Monthly Income} = \text{Net Qualified Assets} / 84 \text{ Months}$$

CALCULATING QUALIFYING INCOME – ALT-A PLUS

- Asset Utilization may not be used as supplemental income.
- Assets must be seasoned for 3 months to be deemed eligible.

$$\text{Monthly Income} = \text{Net Qualified Assets} / 84 \text{ Months}$$

Restrictions:

- Cash out transactions are ineligible.
- Max LTV must be reduced by 10%.

Ineligible Asset Sources:

- Business assets
- Unseasoned foreign assets
- Proceeds from sale of real estate not seasoned 6 months.
- Privately traded or restricted / non-vested stocks.
- Assets which produce income already included in the income calculation.

ALT DOC – WVOE

- Verification of delivery and receipt of the FNMA Form 1005 must comprise the following form of documentation: Physical mail, Fed-Ex, facsimile, or email communication. Physical mail, Fed-Ex, and facsimile must come directly from the employer's address. An email communication must properly identify the Company representative.
- WVOE – FNMA 1005 completed with the past 2 years of income/employment. The form must be completed by Human Resources, Payroll or an Officer of the Company.
- Two (2) most recent months of bank statements reflecting deposits from the employment verified via the WVOE in both statements. The deposits must support at least 65% of the gross wages reflected on the WVOE.
- One-year history with the same employer with minimum two (2) years in the same line of work.
- Minimum credit score of 680.
- One-year 0x30 housing history is required; borrowers without a housing history must qualify under a different documentation type.
- Owner Occupied Max 80% LTV; Second Homes and Non-Owner-Occupied Max 75% LTV.
- Maximum loan amount of \$1,500,000
- Borrowers may not be employed by family members or related individuals.
- W2s, Tax Returns, Paystubs, 4506-C are not required.
- Borrowers can have no other active source of income; passive income such as rental income may be included.

ALT DOC – TIP INCOME

Tip income for borrowers such as restaurant servers, bartenders, cabdrivers, etc. may be documented via a Written VOE with a minimum of 2 months of bank statements to support the tip income. The borrower must have a minimum history of receipt of the income for at least one year on the current job with no gaps in employment. In addition, the borrower may not be employed by a family member.

A minimum credit score of 680 is required and the maximum LTV permitted is 80%.

RATIOS AND QUALIFYING

DEBT TO INCOME RATIO (DTI)

The debt-to-income ratio (DTI) is calculated by adding the borrower's total PITIA and the borrower's total monthly obligations and dividing by the borrower's total monthly qualifying income. The maximum DTI varies by Program and can be found on the applicable Program Matrix.

On ALT-A, a maximum DTI of up to 55% is permitted with the following restrictions:

- Minimum FICO of 680
- 0x30x12
- Max LTV 80%
- 48 months since a housing event
- Minimum \$3,500 monthly residual income is required
- Maximum loan amount \$2.5M
- Not permitted with a 40-year term or with Buydowns

RESIDUAL INCOME

Minimum residual income thresholds apply to HPML loans or when the DTI is > 43% on OO and 2nd homes only using the following calculation:

$$\text{Residual Income} = \text{Gross Monthly Income} - \text{Total Monthly Obligations}$$

The initial 1003 should reflect the number of members in the household for all borrowers on the transaction.

<u>Number of Household Members</u>	<u>Minimum Residual Income*</u>
1 Person	\$1,500
2 Persons	\$2,500
For each additional household member	\$150

Note: for ALT-A with 55% DTI, the minimum Residual Income Requirement is \$3,500.

***Instructions for using the Household Members table above:** For the household member count, include all related and unrelated members of the household who depend on the borrower(s) for support.

ADJUSTABLE-RATE QUALIFYING

For all ARM loans, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index. See the [Products Section](#) for the margin, index, and other restrictions.

INTEREST-ONLY QUALIFYING

With the exception of DSCR loans, which allow for qualification at the I/O; Interest-only loans qualify using the fully amortized payment calculated over the fully amortizing period, based on the greater of the note rate or the fully indexed rate to determine qualifying PITIA. For example, a 40-year loan with a 10-year interest-only period would have a 30-year fully amortizing period. A 30-year loan with a 10-year interest-only period would have a 20-year fully amortizing payment.

See the [Products](#) section for DSCR IO qualifications, the margin, index, and other restrictions.

ASSETS

Loan files must evidence sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff, and applicable reserves. A borrower's ability to accumulate assets provides insight into the individual's ability to successfully manage personal finances. Assets must be dated within 90 days of the note date.

ASSET DOCUMENTATION

- Assets required for down-payment, closing costs and reserves are to be documented as follows:
 - One-month account statement, or most recent quarterly statement. Statements must include:
 - Opening and closing balances
 - Borrower as account holder
 - Account number
 - Statement date and time period covered
 - Current balances in US dollars



- Written Verification of Deposit, completed by the financial institution.
- Accounts verified using a FNMA approved third-party vendor.
- Non-Borrowing parties on the account (excluding a non-borrowing spouse) must provide a written statement that the borrower has full access and use of the funds. See also [Spousal Accounts](#).
- Large deposits on purchase transactions when personal accounts are used must be documented. Large deposits are not required to be sourced when the deposit is not used in the income calculation for business accounts or refinance or DSCR. Note that when using Alt Doc for Income Purposes, large deposits must be documented in accordance with the [Bank Statement Analysis Requirements](#).
- Business assets are permitted as follows:
 - All Programs, except ALT-A PLUS and DSCR No Ratio:
 - Borrower must have minimum 25% ownership and must be an owner on the business account.
 - The balance of the business assets must be multiplied by the borrower's ownership percentage of the business unless the other business owners provide a letter stating the borrower has full access to the funds. In that instance, 100% of the funds may be used.
 - ALT-A PLUS:
 - Borrower has 100% ownership of the business; or borrower and their spouse have 50%/50% ownership of the business. Spouse is not required to be a borrower.
 - DSCR No Ratio:
 - Borrower has 100% ownership of the business.
 - Borrower's ownership is to be documented via a CPA letter, Operating Agreement or equivalent.
 - When the borrower is not the sole owner of the account, the transaction must be acknowledged and borrower's access to the funds must be documented via one of the following:
 - A letter signed and dated by all non-borrowing owners of the business (not required when the spouse is the only other owner), or
 - A letter signed and dated by the CFO or Board of Directors, or
 - Evidence of the borrower's access to the funds via the Operating Agreement.
- Foreign Assets may be verified from a letter of reference on company letterhead from a verifiable banking institution. Contact information for the person signing the letter must be provided, and the letter must state the type of relationship, length of the relationship, how accounts are held and the current balance. Any letters must be translated by a certified translator. In addition, assets held in foreign accounts must be seasoned 60 days and meet one of the following requirements:
 - Must be seasoned in a US depository institution for 10 days prior to closing unless funds are held in a foreign bank with US Based FDIC insured branches; OR
 - Wired directly to the closing agent.
 - Note that Foreign Assets must be converted to US dollars using the current exchange rate.

OTHER ASSETS

BORROWED FUNDS SECURED BY AN ASSET

Borrowed funds that are secured by an asset can be used as a source of funds for down payment, closing costs, and reserves. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, publicly traded stocks and/or bonds, and 401(k) accounts.

The terms of the secured loan and transfer of funds to the borrower should be documented. The individual providing the secured loan cannot be a party to the transaction.

The monthly payments for the loan secured by non-financial assets must be counted in the debt-to-income ratio. However, when the loan is secured by the borrower's financial assets and there are sufficient assets to

pay off the loan currently verified, the monthly payment for the loan does not have to be considered as a long-term debt when qualifying the borrower (as in the case of a 401(k) loan).

If the same financial asset is also used as part of the borrower's financial reserves, adequacy of the borrower's reserves must be determined after taking into consideration the net value of the asset after it has been reduced by the proceeds from the secured loan (and any related fees).

COLLEGE SAVINGS ACCOUNT – 529 PLAN

Typically, a 529 College Savings Plan is an eligible source of funds provided that the borrower is the owner of the account, and the account is revocable. A copy of the plan is required to ensure it is a savings plan, and not a prepaid tuition plan. 529 accounts may be used to satisfy reserve requirements at 60% of the value.

EARNST MONEY/CASH DEPOSIT ON SALES CONTRACT

If earnest money is needed to meet the borrower's minimum contribution requirement, it must be verified that the funds are from an acceptable source. Satisfactory documentation includes any of the following:

- Copy of the borrower's canceled check.
- Certification from the deposit holder acknowledging receipt of funds.
- VOD or bank statement showing that the average balance was sufficient to cover the amount of the earnest money at the time of the deposit.
- If funds were given over 12 months ago per the sales contract, then an escrow letter will suffice for sourcing of any funds given greater than 12 months from the closing date.

If the earnest money check has cleared the bank, bank statements should cover the period up to and including the date the check cleared the account. A copy of the check that has not cleared may also be obtained along with a processor's certification verifying with the bank the date the check cleared, the dollar amount of the check, and the individual providing the information.

EMPLOYER ASSISTANCE

Employer assistance in the form of a grant, direct fully repayable second mortgage, forgivable second mortgage or deferred payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted. Funds must come directly from the employer, may be used for down payment / closing costs subject to minimum Borrower contributions, may be used for reserves except for unsecured loans and are only eligible for primary residence. Any obligation for the borrower that arises from receipt of this assistance must be included in qualifying the borrower.

Documentation Requirements:

- That the Assistance program is an established company program, not just an accommodation developed for an individual employee.
- The dollar amount of the employer's assistance.
- An unsecured loan from an employer with an award letter or legal agreement from the note holder and must disclose the terms and conditions of the loan.
- The terms of any other employee assistance being offered to the borrower (such as relocation benefits or gifts).
- That the borrower received the employer assistance funds directly from the employer (or through the employer-affiliated credit union).

GIFT FUNDS

Gift Funds are acceptable as follows:

- **For Owner-occupied and Second Home properties:**
 - Max LTV per the related Program Matrix permitted with 5% down payment from the borrower's own funds.
 - 100% gift funds are allowed for downpayment and closing costs on ALT-A, using Full or Alt Doc on owner-occupied and second home loans up to a maximum of 80% LTV.
 - For the Super Jumbo Program, gift funds are acceptable on Purchase transactions, after the borrower meets a minimum contribution of 20% towards the down payment, closing costs, prepaids and reserves from their own funds.
- **For Investment properties:**
 - Gift funds are acceptable only if a 10% down payment has been made by the borrower from their own funds.
- **Foreign Nationals:**
 - Gift funds are allowed on Foreign Nationals for countries that can be documented to have restrictions on funds leaving the country to a max of 70% LTV. See the [Foreign National Assets](#) section in these Guidelines for additional limitations.

Gift Requirements

- Gift funds can be used for down payment and closing costs.
- Gift funds may not be used to meet reserve requirements.
- Funds from a spouse or domestic partner are not considered gift funds. See [Spousal Accounts](#) for additional criteria when using funds held solely in the name of a spouse.

Eligible Donors

A gift can be provided by:

- A relative, defined as an 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

A signed gift letter is required to provide all of the following information:

- Donor's name, address, phone, and relationship to borrower (donor must be a relative, spouse or domestic partner); and
- Dollar amount of gift; and
- Donor's statement that no repayment is expected.

Verifying Donor Ability and Transfer of the Gift Funds

Sufficient funds to cover the gift must be verified as either currently in the donor's account or evidence of transfer into the borrower's account. Acceptable documentation includes any of the following:

- Copy of the donor's check and the borrower's deposit slip.
- Copy of the donor's withdrawal slip and the borrower's deposit slip.
- Copy of the donor's check to the closing agent.
- Evidence of wire transfer from donor to borrower
- Settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to closing, it must be documented that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, money order, or wire transfer.

GIFT OF EQUITY

Gifts of equity can be used for down payment or to pay closing costs (including prepaid items). Below please see the applicable requirements :

- Primary residence transactions only.
- Borrower contribution is not required.
- Signed Gift of Equity letter is provided containing the following:
 - Donor's relationship to Borrower, (Gift of equity must be from immediate family member).
 - Indicate that the gift is being provided in the form of a gift of equity.
- All liens on title to be paid in full and reflected on the settlement statement. Any mortgages being paid off must not be reflected as seriously delinquent per the payoff. Transaction must not be a bailout.
- Gift of equity must be listed on the settlement statement.
- Borrower has not been on title in the previous 12 months.
- The gift of equity is not subject to IPCs.
- The lesser of the sales price or appraised value will be used to determine the LTV.

INTERESTED PARTY CONTRIBUTIONS

MAXIMUM CONTRIBUTIONS		
Occupancy	LTV	MAX PERCENTAGE
Primary and 2 nd Homes	≤ 75%	9%
	75.01% - 90%	6%
Investment	ALL	6%
<i><u>Note:</u> Percentage is based on of the lower of the property's sales price or appraised value and may be applied towards the buyer's closing costs, prepaid expenses, discount points, and other financing concessions.</i>		

Sales concessions include:

- Financing concessions more than the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under \$1,000 should be excluded)

The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.

LIFE INSURANCE



Net proceeds from the surrender of a life insurance policy or from a loan against the cash value are acceptable for down payment, closing costs, and reserves.

If the funds are needed for the down payment or closing costs, broker must document the borrower's receipt of the funds from the insurance company by obtaining either a copy of the check from the insurer or a copy of the payout statement issued by the insurer. If the cash value of the life insurance is being used for reserves, the cash value must be documented but does not need to be liquidated and received by the borrower.

Any repayment obligations must be assessed to determine any impact on borrower qualification or reserves. If penalties for failure to repay the loan are limited to the surrender of the policy, payments on a loan secured by the cash value of a borrower's life insurance policy do not have to be considered in the total debt-to-income ratio. If additional obligations are indicated, the amount must be factored into the total debt-to-income ratio or subtracted from the borrower's reserves.

NET PROCEEDS FROM SALE OF REAL ESTATE

If part of the down payment is expected to be paid from the sale of the borrower's current home, a final signed settlement statement verifying sufficient net proceeds must be obtained.

NON-REGULATED FINANCIAL ASSETS

Crypto Currency – such as Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization / depletion.

- Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
- Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30 days of the loan note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

RENT CREDIT FOR LEASE WITH PURCHASE OPTION

Borrowers may apply a portion of the rent paid to their down payment requirements. Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months. The market rent is determined by the appraiser in the appraisal for the subject property. See [Lease with Purchase Option](#) for full requirements.

The following documentation must be obtained:

- Copy of the rental/purchase agreement evidencing a minimum original term of at least 12 months, clearly stating the monthly rental amount and the terms of the lease.
- Copies of the borrower's canceled checks or money order receipts for the last 12 months evidencing the rental payments.
- Market rents as determined by the subject property appraisal.

RETIREMENT ACCOUNTS

Vested funds from individual retirement accounts (IRA/SEP/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for the down payment, closing costs, and reserves. SOLVE Mortgage must verify the ownership of the account and confirm that the account is vested and allows withdrawals regardless of current employment status.

If the retirement assets are in the form of publicly traded stocks, bonds, or mutual funds, the account must meet the requirements of [Stocks, Bonds, and Mutual Funds](#) for determining value and whether documentation of the borrower's actual receipt of funds is required when used for the down payment and closing costs. When funds from retirement accounts are used for reserves, the funds do not have to be withdrawn from the account.

If the borrower intends to use the retirement account to also satisfy income requirements, see also [Proof of Continuance](#).

SALE OF PERSONAL ASSETS

Proceeds from the sale of personal assets are an acceptable source of funds for down payment, closing costs, and reserves, provided the individual purchasing the asset is not a party to the property sale or mortgage financing transaction.

The following must be documented:

- Borrower's ownership of the asset
- Value of the asset, as determined by an independent and reputable source.
- Transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser.
- Borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check.

SECONDARY/SUBORDINATE FINANCING

Secondary or subordinate financing is allowed to the maximum CLTVs listed on the applicable Program Matrices with the following requirements:

- Purchase and refinance transactions with new simultaneous 2nd lien are eligible when HCLTV does not exceed max LTV/HCLTV stated in the most restrictive of the 1st or 2nd lien product matrices.
- Refinance transactions with existing 2nd Lien may be re-subordinated. The HCLTV may not exceed 90% on O/O and 85% on a 2nd home, The 2nd lien must be institutional. HELOC line limits may be paid down to meet HCLTV caps. Lines reduced or balances paid down must be fully documented including source of funds.
- Borrowers who currently have a secondary lien with an interest only payment, must be qualified with the fully amortizing payment.

If the subordinate financing has a simultaneous closing, the following is required:

- A copy of the loan approval and repayment terms for the new financing; and
- A copy of the executed note at closing.

If the subordinate financing is being subordinated, the following is required:

- The repayment terms of the existing second lien.
- An unsigned copy of the subordination agreement prior to closing; and
- A copy of the executed subordination agreement at closing.

The following requirements apply to all subordinate liens:

- Seller-held subordinate liens are not permitted.
- Subordinate financing must be recorded and clearly subordinate to the new mortgage.
- Payment on the subordinate financing must be included in the borrower's DTI. If a payment is unable to be determined, 1.5% of the original loan balance can be used.
- If the debt is an equity line of credit, the CLTV ratio is calculated by adding the total HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the property.
- Negative amortization is not allowed, and the scheduled payments must be sufficient to cover at least the interest due.

- Subordinate financing from the borrower's employer may not include a provision requiring payment upon termination.

Subordinate liens can be paid off through closing. See [Rate/Term Refinance](#) and [Cash-out Refinance](#) for more information.

SPOUSAL ACCOUNTS

Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the seasoning requirements outlined in [Asset Documentation](#).

Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements unless the spouse will also be on title.

STOCK OPTIONS

Vested stock options are an acceptable source of funds for down payment and closing costs when immediately available to the borrower. Stock options may not be used to meet reserve requirements. The value of vested stock options can be documented by:

- Referencing a statement listing the number of options and the option price; and
- Determining the gain that would be realized from exercise of an option and the sale of the optioned stock using the current stock price.

STOCKS, BONDS, AND MUTUAL FUNDS

Vested assets in the form of publicly traded stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs, and reserves provided their value can be verified. The borrower's ownership of the account or asset must be verified.

When used for the down payment or closing costs, if the value of the asset is at least 20% more than the portion of the amount of funds needed from the stocks, bonds, or mutual funds for the down payment and closing costs, no documentation of the borrower's actual receipt of funds realized from the sale or liquidation is required. Otherwise, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented.

When used for reserves, 100% of the value of the assets (as determined above) may be considered, and liquidation is not required.

TRUST ACCOUNTS

Funds disbursed from a borrower's trust account are an acceptable source for down payment, closing costs, and reserves provided the borrower has immediate access to the funds.

To document trust account funds, both of the following must be obtained:

- Written documentation of the value of the trust account from either the trust manager or the trustee; and
- The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.

See [Trust Income](#) if trust is also being used as a source of income to qualify the borrower.

UNACCEPTABLE FUNDS

- Cash-on-hand
- Custodial accounts that are irrevocable trusts like Uniform Transfer to Minor Act (UTMA)
- Down payment assistance programs
- Gift or grant funds which must be repaid
- Sweat equity
- Section 8 Voucher Assistance
- Unsecured loans or cash advances

RESERVES

Reserves are measured by the number of months of housing expense a borrower can pay using his or her financial assets. See the applicable Program Matrix for complete reserve requirements. The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves.

- Net proceeds from cash-out transactions can be used to meet the reserve requirement.
- Gift funds may only be considered on Foreign Nationals.
- 1031 Exchange funds cannot be used towards reserves.

Reserves from a person that is party to the transaction is not considered a gift. They must be on the contract and Title on a purchase and must be on title at time of application for a Refi. Refer to matrices for reserves requirements based on loan amounts for ALT-A and when to follow DU Findings when using Express (DU). (if applicable).

PROPERTY

GENERAL PROPERTY REQUIREMENTS

A completed appraisal report is required on all loan transactions to assess the adequacy of the property as collateral for the mortgage requested. The client is responsible for all of the following:

- Ensuring the accuracy and completeness of the appraisal and its assessment of the marketability of the property
- Reviewing the completed appraisal report to determine whether the subject property presents adequate collateral for the mortgage.
- Ensuring that the appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion.
- Ensuring that the appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property.
- Ensuring that the appraiser provides his or her license or certification on the appraisal report.
- Complying with the Appraiser Independence Requirements published by Fannie Mae/Freddie Mac and the requirements of the Federal Truth in Lending Act and Regulation Z with respect to valuation independence.
- Disclosing to the appraiser any information about the subject property of which it is aware of that could impact the marketability of the property.
- Providing the appraiser with the ratified sales contract and other financing or sales concessions that are associated with the transaction.
- Ordering and receiving the appraisal report for each mortgage transaction.
- Ensuring the appraiser does not use unsupported assumptions or use race, color, religion, sex, handicap, familial status, national origin for any party in the transaction, or impermissible demographics of the community in which the property is located, as the basis for market value.

APPRAISAL INDEPENDENCE POLICY STATEMENT



It is the policy of SOLVE Mortgage to comply with all the requirements of the Appraiser Independence Policy provisions of Dodd-Frank as adopted by Fannie Mae, Freddie Mac, and the mortgage industry in general. SOLVE Mortgage, will only accept appraisals completed by appraisers who are properly licensed or certified in the state in which the property is to be appraised is located.

- Appraisal orders may not contain any estimated or requested value.
- Comparable sales may not be suggested to the appraiser.
- The appraisal must be ordered online through the appraisal company's website, with proof of same retained in the e-loan file.
- Appraisal order date may NOT be prior to initial signed dated borrowers Application and "Intent to Proceed" issued with the initial application and disclosure package.
- A copy of the appraisal is required to be sent to the borrower on all loans regardless of whether the loan is closed, cancelled, or denied. Borrowers must receive a copy of their appraisal within 3 business days of the time it is delivered to SOLVE Mortgage, from the appraisal management company and/or appraiser.

APPROVED APPRAISAL MANAGEMENT COMPANIES (AMC)

Retail and Wholesale Appraisals are to be ordered through the SOLVE Mortgage appraisal desk, except for transferred appraisal which must be in compliance with the Appraisal Transfer Policy

Correspondents are responsible for ensuring appraisal orders through their approved AMCs or fee panel appraisals comply with the Dodd-Frank Appraisal Independent Policy. The AMCs are responsible to ensure that appraisers selected are fully licensed, insured and meet all SOLVE Mortgage requirements. Any noted aberrations or concerns are referred to by the AMC for discussion and resolution, which can result in removing appraisers from being allowed to perform for SOLVE Mortgage.

APPRAISAL TRANSFER POLICY

Transferred appraisals are only allowed when the client has received prior approval from SOLVE Mortgage. To ensure compliance with the Appraiser Independence Requirements, the following items are required for consideration:

- Evidence appraisal was ordered according to Appraisal Independence Requirements,
- Appraisal Invoice along with proof of payment unless being paid through closing,
- Transfer Letter, signed by an employee of the transferring lender who is not in a production capacity (i.e., Loan Officer, Loan Officer Assistants, etc. are not eligible to sign the transfer letter),
- SSRs, and
- MISMO .XML format of the full appraisal including color photos.

Transfers are fully reviewed by underwriting, which may still reject the appraisal if not deemed acceptable.

SOLVE Mortgage will transfer appraisals out upon request on denied or withdrawn loans, and will provide appropriate documentation, AIR certs and transfer letters as needed.

REQUEST FOR APPRAISAL RECONSIDERATION

If there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the loan file, Corporate Appraisal Management will review and may authorize a second appraisal order in cooperation with Underwriting Management by requesting underwriting review and determine acceptability. This is done on an exception basis only and is not allowed just because a party to the transaction does not agree with the value on the original appraisal.

The *Appraisal Reconsideration Form* (located on the Intranet under Forms) must be completed and submitted with any documentation via email to the Appraisal Management Area.

AMCs have their own Reconsideration Form, and the appropriate form must be used if a dispute is being requested for any appraisal ordered through an AMC.

ORDERING / AUTHORIZING A SECOND APPRAISAL

Ordering, obtaining, using, or paying for a second or subsequent appraisal or automated valuation model (AVM) in connection with a mortgage financing transaction is generally not allowed except under specific circumstances.

- If a second appraisal is required, the same process is followed to order the appraisal, unless the Program requires that the appraisal be ordered from a specific source. In that instance, the lower of the two values is used to determine LTV eligibility.
- If the Underwriter requires a second appraisal or review appraisal because they identify flaws or issues with the initial appraisal, a second appraisal may be ordered.
 - Should a second appraisal be ordered after underwriting review (or as noted, approved and allowed by senior management on an exception basis), the valuation shall be determined by the second appraisal, regardless of whether the value is higher or lower than the original appraisal. [i.e., if the second appraisal returns a higher or lower value than the first appraisal, second appraisal will be used to establish value; cannot revert to original appraisal.

CHARGES FOR SECOND APPRAISAL OR INSPECTION

Second appraisals and/or inspections, unless previously disclosed on the Loan Estimate may not be charged to the borrower in most cases. It is advised to correctly disclose appraisal, second appraisal and/or inspection fees (if required by the Program or if anticipated to be required) at the time the initial Loan Estimate is issued.

Should a Program change necessitate a second appraisal or inspection, a correctly completed re-disclosure and Change of Circumstance must be completed to enable the amount to be charged to the borrowers.

COMPLAINT PROCESSES

SOLVE Mortgage shall not retaliate, in any manner or method, against any person or entity that makes a complaint to any controlling body or regulator and shall respond promptly to any complaint upon receipt.

SOLVE Mortgage has to receive complaints regarding appraisal concerns with access given to appraisers, borrowers and all third parties.

- Please Contact your SOLVE MORTGAGE ACCOUNT EXECUTIVE

UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR)

Appraisers are required to use current appraisal report forms that are acceptable to Fannie Mae and/or Freddie Mac. The following appraisal report forms should be used:

- Uniform Residential Appraisal Form (FNMA Form 1004)
- Small Residential Income Property Appraisal Report (FNMA Form 1025)
- Individual Condominium Unit Appraisal Report (FNMA Form 1073)
- Appraisal Update and/or Completion Report (FNMA Form 1004D)
- Single Family Comparable Rent Schedule for all 1-unit investment properties when rental income is used to qualifying (FNMA Form 1007)
- 1-4 Family Rider (Assignment of Rents) for all investment properties (FNMA Form 3170)



- For 5-10 Residential and 2-8 Mixed Use, please see [Appraisal Requirements](#) in the DSCR Multi & Mixed Use section of the guide.

APPRAISAL REPORT REQUIREMENTS

The following items must be contained in the appraisal report:

- Street map showing the location of the subject property and all comparable used.
- Exterior building sketch of the improvements indicating dimensions. A floor plan sketch is required along with calculations demonstrating how the estimate for gross living area is determined. For a unit in a condo project, the sketch of the unit must indicate interior perimeter unit dimensions rather than exterior building dimensions.
- Original color photographs or digital color images of the front, street, and rear views of the subject property. Original digital black and white photographs/pictures are permitted if the appraisal clearly indicates the subject property meets our standards.
- Interior photos of the subject are required to include the kitchen, all bathrooms, the main living area, any areas with physical deterioration, and any renovations/ improvements.
- Any other data as an attachment or addendum to the appraisal report form necessary to provide an adequately supported estimate of market value.
- Appraisal report must contain analysis of all agreements of sale, options or listings for the subject property current as of the effective date of the appraisal, and analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal.
- Appraisal report must include a completed Sales Comparison Approach section of FNMA Form 1004 where there are comparable used with more than one sale or transfer in the 12 months prior to the effective date of the appraisal.
- The appraiser must identify if the property is located in a declining market. A 5% LTV reduction off as per the related Program Matrix. Max LTV applies to properties in declining markets, for loans where the LTV is 65% or greater.
- Appraiser comments on any unfavorable conditions, such as adverse environmental or economic factors, and how those conditions impact the market value of the property. In those cases, the appraiser's analysis must reflect and include comparable sales that are similarly affected.
- Certification and Statement of Limiting Conditions signed by the appraiser.
- A copy of the appraiser's Errors and Omissions Insurance Policy, valid as of the date of the appraisal report, must be included with the appraisal unless confirmation is obtained from the AMC that a copy is on file with them.

APPRAISER QUALIFICATIONS

Real estate appraisers are to be state-certified or state-licensed in accordance with the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. They must have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and property type as well as have access to the necessary and appropriate data sources for the appropriate area of the appraisal assignment.

SOLVE Mortgage has a process in place to ensure the appraisers it selects have the appropriate knowledge, experience, access to the appropriate data sources, geographic competence, and the ability to generate a quality appraisal report. SOLVE Mortgage will choose to use an appraisal management company; and, SOLVE Mortgage has established appropriate procedures and qualifications and continue to meet all requirements noted in these guidelines.

An unlicensed or uncertified appraiser who works as an employee or subcontractor of a licensed appraiser may perform a significant amount of the appraisal as long as the appraisal report is signed by a licensed or certified appraiser and is acceptable under state law. A supervisory appraiser or any appraiser signing on the left-hand

side of the appraisal report as the “Appraiser” must have performed the level of inspection of the subject property required by the assignment.

ELECTRONIC SUBMISSION OF APPRAISAL REPORT

Appraisal reports which have been transmitted electronically using internet, wireless transmissions, or other types of electronic transmissions are acceptable, provided the following are met:

- The appraisal report accurately identifies the appraiser and is signed by the appraiser. Digitized signatures are acceptable.
- The appraisal report was created by the appraiser whose name appears on the appraisal report and that the appraisal is complete, unaltered, and submitted by the identified appraiser. **NOTE: Condotels are Ineligible at this time**

AGE OF APPRAISAL AND APPRAISAL UPDATES

Residential Appraisal (1-4 Units):

The appraisal must be dated within 365 days of the Note date. A recertification of value is required if the report exceeds 120 days of the Note Date. Refer to the [Appraisal Report Requirements](#) section for details.

When an appraisal report will be more than 4 months old (120 days) on the date of the Note and Mortgage, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D), a photograph of the front of the subject property must be included.

- If the appraiser indicates on Form 1004D that the property value has declined, then Solve Mortgage will condition for a new appraisal for the property.
- If the appraiser indicates on the Form 1004D that the property value has not declined, then SOLVE Mortgage may proceed with the loan in process without requiring any additional fieldwork.

The original appraiser should complete the appraisal update; however, SOLVE Mortgage may allow substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser’s opinion of market value was reasonable on the date of the original appraisal report. Solve Mortgage will note in the file why the original appraiser was not used.

Commercial Appraisal (5-10-units multi-family or 2-8-units mixed use):

Appraisals dated fewer than 120 days prior to the Note date are acceptable. After 120 days, a new appraisal is required.

MINIMUM PROPERTY STANDARDS

All properties must:

- Be improved real property.
- Be designed and available for year around residential use.
- Contain a kitchen and a bathroom.
- For Condotels, a minimum unit square footage is not required; however, units must contain a full-size kitchen and kitchen appliances to be eligible for financing. In addition, similarly sized comparable from competing projects must be provided to demonstrate market acceptance for units with < 400 square feet.



- For single family, 2+, condominiums, and DSCR 5-10 Residential or 2-8 Mixed Use, must contain a minimum of 400 square feet per unit; with exception of Manufactured Housing which requires a minimum of 750 sq ft.
- Be heated by a continuously fueled heat source which is permanently affixed to the real estate. Alternative heat sources are acceptable when marketability has been demonstrated.
- Average or better than average condition
- Represent the “highest and best” use of the subject.
- Be free of all health and safety violations.
- NOT be in violation of any housing codes or exhibit items that adversely affect the ownership, habitability, or marketability of the subject property.

PROPERTY LOCATION

See applicable Program Matrix . Subject property must be subject to the laws of the state in which the loan is made

ELIGIBLE PROPERTY TYPES

PROPERTY ELIGIBILITY See Matrices limitations for details	
PROPERTY TYPE	ELIGIBLE
Single-Family Residence	Yes
Planned Unit Development (PUD)	Yes
Townhomes	Yes
2-4 Unit Multi-Family Properties	Yes
Condominium (low-rise and high-rise)	Yes
Non-Warrantable Condominiums	Yes
Condotel or Condo Hotels* Ineligible at this time	No
Site Condominium	Yes
Modular Homes	Yes
Log Homes - Log exterior façade only with like comps, not true log cabins. Must also have fully functioning HVAC system, water source, gas or electric Suitable for year-round occupancy.	Yes
Mixed-Use Properties	Yes
Assisted Living/Continuing Care Facilities	No
Baltimore City Row Homes	No
Boarding Houses	No
Co-operative Units	Yes - Delegated Correspondent Channel Only – ALT-A Program Only
Farms or Hobby Farms	No
Leasehold Condos	No
Properties receiving tax abatements or incentives for farming	No
Properties located on islands not connected to the mainland by a bridge	Will be considered on

	a case-by-case basis
Manufactured Housing	Yes - Delegated Correspondent Channel Only – ALT-A Program Only
Properties Subject to Rent Control Regulations <i>Permitted when the restriction is only due to limiting the increase of rents to a certain percentage per year</i>	No
Unique Properties (Earth Homes, Barndominiums, Berm Homes, Dome Homes, Churches, etc.)	No
Timeshares	No
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MARKET ANALYSIS

NEIGHBORHOOD REVIEW

The neighborhood section should contain an accurate description of the subject's neighborhood and any factors about the neighborhood that may influence value. Specific neighborhood characteristics include the following:

- Degree of development
- Demand and supply
- Present land use
- Owner-occupancy
- Price range and predominant value
- Age of subject property
- Appeal to market and marketing time

COMPATIBILITY OF SUBJECT PROPERTY AND NEIGHBORHOOD

The age and price of the subject property should generally be within the age and price ranges of properties in the subject neighborhood as reported on the URAR. Neighborhood factors indicating compatibility of the subject, such as present land use, predominant occupancy, and anticipated change in present land use are considered. Residential properties in areas that are zoned as either agricultural or commercial may be considered acceptable risks so long as their location does not impact marketability.

PROXIMITY OF COMPARABLES TO SUBJECT PROPERTY

Whenever possible, comparable sales in the same neighborhood as the subject property should be used. Sales prices of comparable properties in the neighborhood should reflect the same positive and negative location characteristics.

For properties in established subdivisions, condo projects or PUDs, comparable sales from within the same subdivision or project as the subject property must be used if the subdivision or project has resale activity. Use of comparable properties located outside of the established subject neighborhood must be explained in the appraisal analysis.

For properties in new subdivisions, condo projects or PUDs, the subject property must be compared to other properties in its general market area as well as to properties within the subject subdivision or project. The appraiser must select one comparable sale from the subject subdivision or project and one comparable sale from outside the subject subdivision or project. The third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property.



AGE OF COMPARABLES

Generally, appraisals should contain comparable sales dated within 6 months from the report date. Comparable from 6 to 12 months are permitted on a limited basis with an explanation from the appraiser. Older comparable sales that are the best indicator of value for the subject property may be used if appropriate. Value must be supported, and market acceptance demonstrated when older comparable are utilized.

PROPERTY VALUES WITHIN MARKET AREA

The value of the subject property should be in line with the home prices in the subject's market area. The appraiser must report the primary indicators of market condition for properties in the subject neighborhood as of the effective date of the appraisal by noting the following:

- the trend of property values
- the supply of properties in the subject neighborhood
- marketing time for properties

The appraiser must provide their conclusions for the reasons a market is experiencing declining property values, an over-supply of properties, or marketing times over 6 months.

REDLINING PROHIBITION

Prohibited bases such as race, ethnicity, gender, minority geography or any other prohibited basis category should not be included as an appraisal factor or considered when reviewing an appraisal. As a matter of policy, appraisal reports which make reference to a prohibited basis category (e.g., race or minority geography) are not acceptable. The use of code phrases as proxies for race which are not necessarily descriptive of value or risk is unacceptable. The information in the appraisal report must support in an objective manner any statement or conclusion contained in the report.

OVER-IMPROVEMENTS

An over-improvement is an improvement that costs more than its contributory value within the marketplace. The appraiser must comment on over-improvements and indicate their contributory value in the "sales comparison analysis" adjustment grid. Improvements can represent an over-improvement for the neighborhood, but still be within the neighborhood price range—such as a property with an in-ground swimming pool, a large addition, or an oversized garage in a market that does not demand these kinds of improvements. Appraisals on properties with over-improvements that may not be acceptable to the typical purchaser must be reviewed to ensure that only the contributory value of the over-improvement is reflected in the appraisal analysis.

VALUATION ANALYSIS

SALES COMPARISON APPROACH

Each appraisal must contain an estimate of market value. Market value is defined as the most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller of property are typically motivated.
- Both parties are well informed or well advised, acting in what they consider their best interest.
- A reasonable time is allowed for exposure in the open market.



- Payment is made in terms of cash in US dollars or in terms of comparable financial arrangements.
- The price represents the normal consideration for the subject property sold unaffected by special financing or sales concessions granted by anyone associated with the sale.

A minimum of 3 closed comparable must be reported in the sales comparison approach. Additional comparable sales may be reported to support the opinion of market value provided by the appraiser. The subject property can be used as a fourth comparable sale or as supporting data if it was previously closed. Contract offerings and current listings can be used as supporting data, if appropriate.

Comparable sales utilized in the market approach should:

- Be within one mile of the subject property.
- Have been closed within the last 6 months.
- Indicate properties that are similar to the subject property with respect to age, size, features, amenities, etc.
- Result in an overall net adjustment not exceeding 15% of the sales price of that comparable and a gross adjustment not exceeding 25% of the sales price of that comparable
- Reflect adjustments for individual line items not exceeding 10%
- Have a sales price that is within the general range of value as the subject.
- Have at least 3 of the comparable should be recently closed sales.

In instances where comparable conforming to the criteria stated above cannot be used, the appraiser must clearly justify reasons for alternate comparable.

COST APPROACH

When completed, the cost approach must clearly segregate value attributed to land, outbuildings, etc. If the ratio of [land value](#) to total value exceeds 50%, an explanation from the appraiser may be required to demonstrate conformance with neighboring properties. See also [Land Value](#). Appraisals that rely solely on the cost approach as an indicator of market value are not acceptable.

INCOME APPROACH

When the income approach to value is used, the appraisal report must include the supporting comparable rental and sales data, and the calculations used to determine the gross rent multiplier. Appraisals that rely solely on the income approach as an indicator of market value are not acceptable.

VALUATION ANALYSIS AND FINAL RECONCILIATION

In the final reconciliation, appraisers must reconcile the reasonableness and reliability of each applicable approach to value along with validity of the indicated values. The appraiser must select and report the approaches that were given the most weight. An averaging technique cannot be used.

APPRAISAL REVIEW PROCESS

The Appraisal Review Process requires a secondary appraisal product to support the appraisal value for the transaction. Acceptable review products include:

- Clear Capital Desk Review (must contain a value and comparative sales data to support the valuation result),
- Field Review
- Second Full Appraisal (appraisals must be completed by different, independent appraisers and the lower of the two appraised values used to determine value)

The Appraisal Review product can be waived if the loan is submitted to Collateral Underwriter and receives a FNMA SSR score of 2.5 or lower.

The following transactions require a 2nd full appraisal:

- Loan amounts > \$2,000,000
- HPML purchase transactions subject to flipping. See [HPML section for details](#).

SOLVE Mortgage reserves the right to request additional appraisal products at their discretion based on review of the appraisal and loan file.

APPRAISAL REVIEW TOLERANCE

A 10% tolerance is permitted for the desk review. If the desk review value is more than 10% below the appraised value, either a field review or a second full appraisal must be obtained, and the lower of the two values must be used for qualifying.

PROPERTY CONSIDERATIONS

ACCESSORY UNITS

Properties with accessory units, also known as Granny units, mother-in-law suites, etc., are acceptable if all of the following are met:

- Property is typical, readily acceptable, and common in the subject's market area.
- Property must conform to all zoning laws and/or regulations. The ADU is not required to be permitted provided the appraiser indicates the improvements represent a legal use of the property and completed in a workmanlike manner.
- Legal non-conforming use is acceptable provided its current use does not adversely affect value and marketability.
- Property is a Single Family Residence with one ADU.
 - Note that Single Family Residences with one or more than one Accessory Dwelling Unit (ADU) or 2-4 unit properties with an ADU are permitted when the property is located in a municipality allowing for such a set up. The appraiser must specifically confirm compliance with local regulations.

Appraisal considerations:

- Must show 2 comparable with similar additional accessory units
- Accessory unit must be substantially smaller than the primary dwelling.
- Rental Income: If zoning (current or grandfathered) permits an accessory unit, the rental income may be permitted, subject to the following:
 - Appraisal reflects the accessory unit is legal and the appraiser report includes at least two (2) comps with an accessory unit.
 - Refinance – the market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease with two months proof of current receipt.
 - Purchase – the market rent for the accessory unit should be documented on FNMA Form 1007.
- Note: if all of the above are not met appraisal must give the accessory unit zero value.

DAMPNESS

If the appraisal report notes evidence of dampness, the appraiser must clearly define the effect on value and marketability of the subject property, as well as comment regarding the probable cause of the dampness problem. Generally, a structural engineer's report is required prior to making a loan decision. The cause of the



dampness must be corrected prior to closing should the dampness problem indicate a structural deficiency and/or significant negative impact on value or marketability.

DECLINING MARKETS

The appraiser must identify if the property is located in a declining market.

- A 5% Max LTV reduction applies to properties in declining markets, unless the LTV is 65% or less.
- Cash out not permitted for properties located in a declining market for ALT-A PLUS.

DEED RESTRICTIONS

Deed restrictions impact the future transferability of a property. The following deed restrictions are allowed:

Age Restricted Communities

Deed restrictions must be reviewed to ensure all of the following requirements are met:

- Appraisal supports property is common and typical for the market area.
- Deed restriction must not impair or restrict the first mortgage holder's legal rights in the event of a default (or cure), foreclosure, or any other default measure.
- Declarations must not contain any provisions that would require the first mortgage holder to send a notice of default or foreclosure to any third party.
- Deed restriction must not require SOLVE Mortgage to provide notification to the governing authority of any delinquency or default.

Limitations on Ability to Sell/Right of First Refusal

Any right of first refusal in the condo project documents will not adversely impact the rights of a mortgagee or its assignee to:

- Foreclose or take title to a condo unit pursuant to the remedies in the mortgage,
- Accept a Deed or Assignment in lieu of Foreclosure in the event of Default by a mortgagor, or
- Sell or lease a unit acquired by the mortgagee or its assignee.

DEFERRED MAINTENANCE

Property must be in average or better conditions. Properties in C5 or C6 condition are not acceptable. Structural deferred maintenance is not permitted. Non-structural deferred maintenance can be considered provided:

- The deficiencies are not excessive; and
- The deficiencies do not represent a health or safety concern; and
- The appraisal report is completed as-is with an appropriate adjustment for the current condition of the property.

For additional deferred maintenance guidance for Condominiums, refer to [Review Requirements for Condominiums](#) and the [Condominiums Significant Deferred Maintenance and Unsafe Conditions](#) sections.

ELECTRICAL SYSTEMS

An electrical certification from a licensed electrician is required if the appraisal notes a fair or poor rating concerning the adequacy or condition of the system. Any electrical inadequacies must be corrected prior to closing.

ENVIRONMENTAL HAZARDS

The appraisal report should note the existence of known environmental hazards and its effect on value and marketability of the subject property. Environmental hazards may include but are not limited to:

- Evidence of radon above EPA safety levels which is left untreated.



- Properties built on or near toxic waste dumps, cleanup sites, etc.
- Presence of urea formaldehyde foam insulation (UFFI)

A property inspection completed by a licensed inspector is required in order to make a final determination of the acceptability of the property. The mortgagor's acknowledgment of condition is required.

ESCROWS FOR WORK COMPLETION

Generally, escrow holdbacks are not allowed but may be considered on a case-by-case basis per Underwriter discretion. Exceptions are not permitted on DSCR loans or ALT-A PLUS. Lock must cover the escrow period.

FLOOD ZONE

The appraisal should indicate if the property is located in a flood zone. Refer to [Flood Insurance](#) for additional information on flood certifications and flood insurance.

FOUNDATION SETTLEMENT

If the appraisal report notes evidence of excessive settlement, the appraiser must clearly define the effect on value and marketability of the subject property. Settlement problems which denote structural deficiencies and/or significant negative impact on value and marketability must be corrected prior to closing. Generally, a structural engineer's report is required prior to making a loan decision.

Properties with evidence of sinkhole activity are ineligible for financing.

HEATING SYSTEMS

A central heat source with ductwork or baseboard in all rooms is required on all properties. If subject does not have central heat, the appraiser must provide similar comparable properties and an addendum indicating:

- the heat source is typical for the area.
- the heat source is permanently attached.
- the heat source is adequate for the dwelling.
- the heat source is externally vented.

LAND VALUE AND ACREAGE

Acreage and land value must be typical and common for the subject's market.

- Maximum acreage permitted is 20 acres with the following exceptions:
 - Maximum acreage permitted is 10 acres for ALT-A PLUS (rural not permitted).
 - Investment property transactions are limited to 5 acres, with the exception of DSCR loans which are capped at a maximum of 2 acres.

Special consideration should be taken for properties with land values that exceed 50% of the total property value to ensure the value is justified and the property has marketability. The appraisal report must provide data which indicates like-size properties with similar land values are typical and common in the subject's market area. See also [Rural Properties](#).

LEASEHOLD APPRAISAL REQUIREMENTS

A mortgage that is secured by a leasehold estate or is subject to the payment of "ground rent" gives the borrower the right to use and occupy the real property under the provisions of a lease agreement or ground lease, for a stipulated period of time, as long as the conditions of the lease are met.

When the lease holder is a community land trust, there may be significant restrictions on both the purchase and resale of the property. See also [Community Land Trust Appraisal Requirements](#).

Community Land Trusts not eligible for ALT-A PLUS.

APPRAISAL REQUIREMENTS FOR LEASEHOLD INTERESTS

The appraisal requirements for leasehold interest properties are as follows:

- Appraisers must develop a thorough, clear, and detailed narrative that identifies the terms, restrictions, and conditions regarding lease agreements or ground leases and include this information as an addendum to the appraisal report.
- Appraisers must discuss what effect, if any, the terms, restrictions, and conditions of the lease agreement or ground lease have on the value and marketability of the subject property.

COMPARABLE REQUIREMENTS FOR LEASEHOLD INTERESTS

When there are a sufficient number of closed comparable property sales with similar leasehold interests available, the appraiser must use the property sales in the analysis of market value of the leasehold estate for the subject property.

However, if not enough comparable sales with the same lease terms and restrictions are available, appraisers may use sales of similar properties with different lease terms or, if necessary, sales of similar properties that were sold as fee simple estates. The appraiser must explain why the use of these sales is appropriate and must make appropriate adjustments in the Sales Comparison Approach adjustment grid to reflect the market reaction to the different lease terms or property rights appraised.

COMPARABLE REQUIREMENTS FOR DETERMINING FEE SIMPLE VALUE

In determining the fee simple value of the subject property, the appraiser must use comparable sales of similar properties that are owned as fee simple estates. If this is not possible, the appraiser may use sales of properties that are subject to other types of leasehold estates as long as he or she makes appropriate adjustments, based on the terms of their leases, to reflect a fee simple interest.

When the community or neighborhood has sales activity for other leasehold estates held by a community land trust, the appraiser must discuss them in the appraisal report, but must not use them as comparable sales because, in all likelihood, the sales prices will have been limited by restrictions in the ground lease. Therefore, these sales transactions would not be comparable to the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions on which the appraisal of the subject property must be based.

DETERMINING THE CAPITALIZATION RATE

When the community has an active real estate market that includes sales of properties owned as fee simple estates and sales of properties subject to leasehold estates other than those held by community land trusts, the appraiser can use the most direct method for determining the capitalization rate, extracting it from the market activity. To extract the capitalization rate, the appraiser must divide the annual ground rent for the properties subject to leasehold estates by the difference in the sales prices for the comparable sales of properties owned as fee simple estates and the comparable sales of properties subject to leasehold estates.

If there are no available comparable sales of properties subject to leasehold estates other than those held by a community land trust, the appraiser must develop a capitalization rate by comparing alternative

low-risk investment rates, such as the rates for long-term bonds, and selecting a rate that best reflects a “riskless” (safe) rate.

DETERMINING THE LEASEHOLD VALUE

To determine the leasehold value of the subject property, the appraiser must first convert the annual income from the community land trust’s ground lease into a leased fee value by dividing the income by the market-derived capitalization rate. The appraiser must then reduce the estimated fee simple value of the subject property by this leased fee value to arrive at his or her opinion of the leasehold value of the subject property. For example, assume that the annual ground rent from the community land trust’s ground lease is \$300, the market-derived capitalization rate is 5.75%, and the estimated fee simple value of the subject property is \$100,000:

- $\$300 \text{ annual rent} / 5.75\% \text{ capitalization rate} = \$5,217.39$ (rounded to \$5,200)
- $\$100,000 \text{ fee simple value} - \$5,200 \text{ leased fee value} = \$94,800$ (leasehold value).

ADDENDUM TO THE APPRAISAL REPORT

Because appraisal report forms do not include space to provide all of the details required for appraising a property subject to a leasehold held by a community land trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. As previously mentioned, the appraiser must check the box “as is” and include in the addendum the development of the capitalization rate and an expanded discussion of the comparable sales used and considered.

The addendum must also include the following statement: “This appraisal is made on the basis of the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the Community Land Trust Ground Lease Rider.”

COMMUNITY LAND TRUST APPRAISAL REQUIREMENTS

APPRAISER QUALIFICATION FOR PROPERTIES IN A COMMUNITY LAND TRUST

The appraiser must be knowledgeable and experienced in the appraisal techniques, namely the direct capitalization and the market derivation of capitalization rates that are necessary to appraise a property subject to a leasehold estate held by a community land trust. Policies and procedures should be established to ensure that qualified individuals are being selected in accordance with the Appraiser Independence Requirements.

APPRAISAL REQUIREMENTS FOR PROPERTIES IN A COMMUNITY LAND TRUST

The appraisal requirements for community land trust properties are as follows:

- The appraiser must analyze the property subject to the ground lease when a leasehold interest is held by a community land trust. Because the community land trust typically subsidizes the sales price to the borrower, that price may be significantly less than the market value of the leasehold interest in the property.
- The appraised value of the leasehold interest in the property must be well supported and correctly developed by the appraiser because the resale restrictions, as well as other restrictions that may be included in the ground lease, can also affect the value of the property.
- SOLVE Mortgage and the borrower must execute the Community Land Trust Ground Lease Rider (FNMA Form 2100) to remove such restrictions from the community land trust’s ground lease. The land records for the subject property must include adoption of the terms and conditions that are incorporated in that



ground lease rider. The appraiser must develop the opinion of value for the leasehold interest under the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions that the ground lease rider removes when a property is disposed of through foreclosure.

- The appraiser must use a three-step process to develop an opinion of value (Note: When this appraisal technique is used, there is no need to document the actual land value of the security property).
 - The appraiser must determine:
 - Step 1: the fee simple value of the property by using the sales comparison analysis approach to value,
 - Step 2: the applicable capitalization rate and convert the income from the ground lease into a leased fee value by using the market-derived capitalization rate, and
 - Step 3: the leasehold value by reducing the fee simple value by the lease fee value.
 - On the actual appraisal report form, the appraiser must:
 - indicate “leasehold” as the property rights appraised,
 - provide the applicable ground rent paid to the community land trust,
 - show the estimated fee simple value for the property in the Sales Comparison Approach adjustment grid,
 - report the “leasehold value” as the indicated value conclusion, and
 - check the box “as is” and include in the addendum the development of the capitalization rate and an expanded discussion of the comparable sales used and considered.

MIXED-USE PROPERTIES 0/0

Properties that have a business use in addition to their residential use are allowed (i.e., property with space set aside for a day care facility, a beauty or barber shop, or a doctor’s office). The following criteria must be met:

- The property must be a 1-unit dwelling that the borrower occupies as a primary residence.
- The borrower must be both the owner and the operator of the business.
- The property must be primarily residential in nature.
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.
- In addition, the appraisal must contain the following:
 - Provide a detailed description of the mixed-use characteristics of the subject property.
 - Indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements.
 - Report any adverse impact on marketability market resistance to the commercial use of the property; and
 - Report the market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.

MODULAR HOMES

Modular, prefabricated, panelized, or sectional housing homes are eligible for financing at a maximum LTV of 90% for all products with the exception of ALTA-PLUS. Modular homes are not permitted on ALT-A PLUS.

Modular homes must meet all of the following requirements:

- Must assume the characteristics of site-built housing; and
- Must be legally classified as real property; and
- Must conform to all local building codes in the jurisdiction in which they are permanently located.

MULTIPLE DWELLINGS ON ONE LOT

Properties with 2 or more detached single-family homes on a single lot are generally ineligible for financing. Single-family properties containing additional residential dwellings (guesthouse, carriage house, etc.) must comply with local zoning regulations. They must be typical and common within the subject’s neighborhood.



Typically, the additional dwelling is smaller than the main dwelling and will not be rented. The subject property should be appraised as a single-family residence. Any value for additional dwellings should be supported by comparable sales. See also [Accessory Units](#).

MULTIPLE PARCELS

When a property consists of more than one parcel of real estate, the following requirements must be met:

- Each parcel must be conveyed in its entirety.
- Parcels must be adjoined to the other unless they comply with the following exception. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (for example, waterfront properties where the parcel without the residence provides access to the water). Evidence that the lot is non-buildable must be included in the loan file.
- Each parcel must have the same basic zoning (for example, residential, agricultural).
- The entire property may contain only one dwelling unit. Limited additional nonresidential improvements, such as a garage, are acceptable. For example, the adjoining parcel may not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable.
- The mortgage must be a valid first lien that covers each parcel.

NEW CONSTRUCTION

The following are required for all new construction properties:

- Appraisal Update and/or Completion Report (FNMA Form 1004D) with complete interior and exterior photos reflecting completion, if applicable. Proposed improvements are not allowed.
- Taxes must be based on the improved value. Unless otherwise documented from the title company, use 1.5% for qualifying.

PEST INFESTATION

If the appraisal report or sales contract notes evidence of termites or other insect infestation, a pest inspection report certifying treatment of the infestation prior to closing is required. Any significant structural damage due to pest infestation must be corrected prior to closing.

PLUMBING

A plumbing certification from a licensed plumber is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.

PRIVATE ROADS

Properties on private roads are acceptable subject to the following:

- The title company must insure access to the subject property from a public street; and
- A legally enforceable agreement or covenant for maintenance of the street is required.
 - The agreement should include provisions for the responsibility for payment of repairs, including each party's representative share, default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations, and the effective term of the agreement which in most cases should be perpetual and binding on any future owners.
 - If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required. Any maintenance costs are to be included in the borrower's housing payment (PITIA).



PUD (PLANNED UNIT DEVELOPMENT)

A Planned Unit Development (PUD) is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. In order for a project to qualify as a PUD, all of the following requirements must be met:

- Each unit owner's membership in the owners' association must be automatic and non-severable.
- The payment of assessments related to the unit must be mandatory.
- Common property and improvements must be owned and maintained by an HOA for the benefit and use of the unit owners.
- The subject unit must not be part of a condo or co-op project.

Zoning is not a basis for classifying a project or subdivision as a PUD. The PUD project must be analyzed to ensure that an individual unit in the project will be acceptable security for the mortgage.

REPAIRS

The appraisal must identify all items that require repair. It should also include and describe physical deficiencies that could affect a property's soundness, structural integrity, livability, or improvements that are incomplete. Any immediate or necessary repairs must be completed and re-inspected by the appraiser prior to closing. See also [Deferred Maintenance](#).

RURAL PROPERTIES

A property indicated by the appraisal as rural, or containing any of the following characteristics, is typically considered a rural property:

- Neighborhood is less than 25% built-up.
- Area around the subject is zoned agricultural.
- Photographs of the subject show a dirt road.
- Comparable are more than 5 miles away from the subject.
- Subject is located in a community with a population of less than 25,000.
- Distance to schools and/or amenities are greater than 25 miles.
- Subject property and or comparable have lot sizes greater than 10 acres.
- Subject property and or comparable have outbuilding or large storage sheds.

[Rural properties](#) must comply with all of the following criteria:

- Primary residence and residential use only to a maximum LTV of 80%
- Second homes and non-DSCR investment properties can be considered when the property has no more than 2 acres up to a maximum LTV of 75%
- Not permitted for the Super Jumbo or ALT-A PLUS Programs
- Maximum acreage on owner occupied properties is 20, which includes road frontage and subject property.
- Property must not be agricultural or provide a source of income to the borrower.
- Lot size and acreage must be typical for the area and similar to surrounding properties.
- Property cannot be subject to idle acreage tax benefit, tax abatements or other tax incentive program.
- Present use as per the appraisal must be the "highest and best use" for the property.
- Condition, quality, and use of outbuildings should be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information.

SEPTIC SYSTEM/SEWAGE DISPOSAL SYSTEM

Sewage disposal systems may require certification if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or qualified entity stating:

- Sewage disposal system complies with applicable local and/or state health standards, is in proper working order, and can be expected to function satisfactorily; or
- Local and/or state health standards do not apply for the sewage disposal system; however, it is found to be in proper working order and adequate for the subject property.

For systems one-year-old or less, the certification may be no more than one-year-old on the date of closing. For systems more than one-year old, the certification should be no more than 120 days old on the date of closing.

SOLAR PANELS

Properties with solar panels are eligible for financing.

When solar panels are owned and financed and collateralized with a UCC lien on title, the following applies:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement for the solar panel loan. Include any monthly obligation in the DTI.
- The value of the solar panel may be included in the appraised value, provided the panels cannot be repossessed for default on the financing terms.
- Include the balance of the solar panel lien in the LTV/CLTV ratio. If unable to obtain the current balance of the lien, include the original loan amount in the LTV/CLTV ratio. The UCC fixture filing must be subordinated with one of the following:
 - Subordination Agreement
 - UCC Termination. Debt obligation and LTV/CLTV must still consider the solar loan unless evidence is provided to verify the debt has been paid down to zero.

When solar panels are owned and financed without a UCC lien on title, the following applies:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement for the solar panel loan. Include any monthly obligation in the DTI.
- Ensure the appraiser did not provide a contributory value for the solar panels.
- Do not include the panels in the LTV/CLTV ratio calculation.
- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC lien was paid in full, otherwise the financed balance must be included in the LTV/CLTV.

A PACE (Property Assessed Clean Energy) loan allows for repayment of the solar debt through the homeowner's real estate tax bill. PACE loans may also be referred to as a HERO loan. **The following applies when a PACE loan exists:**

- Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.
- Any property tax statements that reflect PACE, HERO, or equivalent will require proof of payoff. If loan proceeds are used to pay off the lien, the loan is considered a cash out.

When solar panels are leased or covered by a power purchase agreement, the following applies:

- The solar panels may not be included in the appraised value of the property.
- The property must maintain access to an alternate source of electric power that meets community standards.
- A copy of the lease or power purchase agreement must be obtained.
- The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to:
 - provide delivery of a specific amount of energy at a fixed payment during a given period, and



- have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- **The lease or power purchase agreement must indicate that:**
 - any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home).
 - the owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, SOLVE Mortgage may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
 - **in the event of foreclosure, SOLVE Mortgage or assignee has the discretion to:**
 - terminate the agreement and require third-party owner to remove the equipment.
 - become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
 - enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

UNCONVENTIONAL FLOOR PLANS

Properties with unusual floor plans or functional obsolescence are allowed if the appraisal demonstrates acceptability in the marketplace and includes appropriate adjustments. A floor plan sketch is required for all appraisals.

WATER SUPPLY

Water certification must be obtained if required by the appraiser or purchase contract. The report should be provided by a city, county, state (or governing body) official or a qualified entity stating:

- The water supply system is in proper working order and pumping an adequate supply of water for the subject property; and
- The water supply is potable and complies with local and/or state health authority standards (in the absence of a local health authority, a reputable chemical testing agency must certify that the water is fit for human consumption). The water certification(s) for existing properties can be no more than 120 days old on the date of closing. If new construction, the report may be one-year old as of the date of closing.

ZONING AND LAND-USE REGULATIONS

Property improvements must constitute a legally permissible use of the land based on the zoning ordinance. If the improvements represent a legal, non-conforming use of land, the appraisal analysis must reflect any adverse effect that the non-conforming has on the value and marketability of the property; this requirement applies to all property types.

The appraiser must compare the existing and potential use of the subject property to the zoning regulations. In addition, the appraiser must indicate where the subject property presents:

- A legal conforming use;
- A legal non-conforming (grandfathered) use;
- An illegal use under zoning regulations; or
- That there is no local zoning.



Special consideration must be given to properties that are subject to other types of land use regulations, such as coastal tideland or wetland laws, as setback lines or other provisions may prevent reconstruction or maintenance of the property improvements in the event of damage or destruction. The intent of some land-use regulations is to remove existing land uses and to stop land development (including the maintenance, or new construction, or seawalls) within specific setback lines. Except as stated above, properties with land-use restrictions which prohibit the reconstruction to maintenance the dwelling are ineligible.

CONDOMINIUMS

GENERAL CONDO REQUIREMENTS

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

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loan secured by condominium projects require a completed Homeowners Association (HOA) questionnaire.
- See the current Loan/LTV in the related Program Matrix for maximum LTV/CLTVs and loan amounts. Note that if the related Program Matrix indicates the project must be warrantable, see the Warrantable Condo Requirements section.
- SOLVE Mortgage's project exposure in condo projects shall be \$5,000,000 or 20% of the total units in the project, whichever is lower.
- A minimum unit square footage is not required; however, units must contain a full-size kitchen and kitchen appliances to be eligible for financing. In addition, similar sized comparable from competing projects must be provided to demonstrate market acceptance for units with < 400 square feet.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV.
- Two- to four-unit condominium projects will not require a project review provided the following are met:
 - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project.
 - The [priority of common expense assessments](#) applies.
 - The [standard condominium project insurance requirements](#) apply.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Any Structural or Mechanical Inspections completed within the past three years must be provided.
- Projects must be reviewed for significant deferred maintenance and/or unsafe conditions.
- Must meet all applicable Project Insurance requirements.
- Fidelity Bond is required on new projects as well as any warrantable project requiring a full review. When required, it needs to meet the published requirements.
- SOLVE Mortgage must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- Must not have "ineligible" characteristics, as defined below.

PROJECT REVIEW WAIVER

The following projects do not require a project review, however still require acceptable insurance coverage:

- Detached Condo Units; a unit in a project consisting entirely of detached (site) units; or when the subject unit is detached and the project is a mix of detached and attached units. In this instance, single family dwelling LTV/CLTVs apply.
- Two- to four-unit condominium projects provided the following are met:
 - The project is not a condo hotel, houseboat, timeshare, or segmented ownership project.
 - The priority of common expense assessment applies.
 - The standard condominium insurance requirements apply.

WARRANTABLE CONDO REQUIREMENTS

Certain Programs and/or LTVs require that the condo project be FNMA warrantable to be eligible. When a Program indicates the condo must be warrantable or if condo project is eligible for warrantable review, [FNMA Condo Guidelines](#) must be followed to ensure warrantability.

- Investor concentration, waived for limited review. On full review, for investment occupancy transactions investor concentration must be ≤50%, and is waived for primary and secondary occupancy transactions
- Commercial space allowed up to 35% of project.
- Delinquency count of full review: no more than 15% of the total units in the project may be 60 days or more past due on the condominium/HOA fees, including special assessments. Limited review must demonstrate that no more than 15% of units are not delinquent on special assessments only.
- Single entity ownership allowed up to 20% for projects with 21 or more units or a max of 2 units for projects with 5 to 20 units.
- Insurance deductibles to a max of 5%; Flood insurance max deductible must match NFIP max deductible program.
- FL New Projects must be FNMA approved
- FL Established Condos must meet the following LTV/CLTV limits:

	Limited Review - Attached Units in Established Condo Projects (For Projects Outside of Florida)	Limited Review - Attached Units in Established Condo Projects (For Projects Inside of Florida)
Occupancy Type	Maximum LTV, CLTV, and HCLTV Ratios	Maximum LTV/CLTV/HCLTV Ratios
Principal residence	85%	75/90/90%
Second home	75%	70/75/75%
Investment property	75%	70/75/75%

The following documentation must be provided to determine warrantability:

- Budgeted Reserves
 - Budget must demonstrate a minimum 10% reserve requirement. Reserve studies may be provided for consideration when the 10% is not satisfied.
- Required Documents
 - SOLVE Mortgage Condominium Project Questionnaire
 - Budget, current fiscal year
 - Balance Sheet dated within the past 90 days.
 - Master Insurance Policy including property, fidelity/crime, liability and wind, along with HO-6 policy if master is not walls in.
 - Flood insurance with replacement cost valuation if the subject is located in a flood zone.



NON-WARRANTABLE CONDO REQUIREMENTS

SOLVE Mortgage will permit non-warrantable condos with the following attributes:

- Commercial space allowed up to 50% of project.
- No more than 25% of the total units in the project may be 60 days or more past due on the condominium/HOA fees, including special assessments.
- Investor concentration allowed up to 70%. A higher percentage may be considered when the subject transaction is an investment property.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
- Single entity ownership allowed up to 49% of the project; with the exception of Condotel Projects where the Developer of Condotel may own a great percentage of the units for rental income purposes.
- The following may be excluded from the single-entity ownership calculation:
 - Units owned by the project sponsor or developer and are vacant and are being actively marketed for sale; or
 - Units that are controlled or owned by a non-profit entity for the purpose of providing affordable housing, units held in affordable housing programs (including subject to non-eviction rent regulation codes), or units held by higher-education institutions for a workforce housing program.
- Exceptions may be considered for Single Entity that owns 50% or more of the units. For exception consideration, provide the following information:
 - Is the Single Entity the developer? REIT? Private Investor? Sponsor?
 - Is the Single Entity current on all HOA dues payments? If not, provide the delinquency info.
 - Does the Single Entity intend to sell some or all of the single entity owned units? If yes, provide the marketing strategy.
 - Is the subject unit one of the single entity owned units?
 - What is the current occupancy type of the subject unit?
- Subject Units on areas such as golf courses, with pool clubs, or other amenities that are subject to a mandatory membership fee are acceptable. The fees must be included in the borrower's debt to income ratio.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- Deductibles above 5% and up to 10% are permitted when the HOA budget is sufficient to cover the deductible.

INELIGIBLE PROJECTS

- Condos listed with a status of "unavailable" in Condo Project Manager (CPM), unless the "unavailable" reason is for a characteristic explicitly deemed acceptable as per these guidelines. This requirement does not apply to Condotel Projects.
- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Leasehold condos.
- Timeshare or condo projects with restrictions on owner's ability to occupy the unit.
- 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.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
 - 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, quarter share).
- 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).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in need of Critical Repairs
- Any project currently under an evacuation order due to unsafe conditions
- Any project with unfunded repairs totaling more than \$10,000 per unit.

In addition, the following applies to projects of five or more units:

- Projects with significant deferred maintenance are not eligible, such as:
 - Projects with a full or partial evacuation of the building to complete repairs for more than 7 days or an unknown period of time;
 - Projects with deficiencies, defects or substantial damage, or deferred maintenance that
 - Is severe enough to affect the safety, soundness, structural integrity or habitability of the improvements;
 - The improvements need substantial repairs and rehabilitation, including major components; or
 - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical systems, HVAC or plumbing.
 - Projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or re-inspections.
- Special assessments, even if paid in full for the subject unit, must be reviewed to determine acceptability and the following must be documented:
 - The reason for the special assessment;
 - The total amount assessed and repayment terms;
 - Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project;
 - The association has sufficient funds for any repairs; and
 - Borrower must qualify with the outstanding special assessment payment.
 - Note that if unable to determine no negative impact and/or that the assessments deem the project to be unsafe or unsound, the project is ineligible.
- When any of these issues are identified, for project consideration, a full review (warrantable) must be obtained and all [required documents](#) listed under the Warrantable Condo section of the guide must be obtained.

PROJECTS IN NEED OF CRITICAL REPAIRS

Loans secured by units in condo project with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible.

These projects are ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.

Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:

- Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time.
- The project has deficiencies, defects, substantial damage, or deferred maintenance that:
 - Is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
 - The improvements need substantial repairs and rehabilitation, including many major components; or
 - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing.

Additionally, projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications are not eligible.

These policies do not apply to routine maintenance or repairs that a homeowners' association (HOA) undertakes to maintain or preserve the integrity and condition of its property.

Also, if damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the improvements then these project eligibility requirements do not apply. Examples of this scenario include water damage to a unit due to a leaky pipe that is isolated or damage from a small fire impacting the interior of a specific unit. However, if the subject property unit is affected, our standard requirements for property condition apply.

SPECIAL ASSESSMENTS

Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability.

The loan file must be documented with the following:

- the reason for the special assessment.
- the total amount assessed and repayment terms.
- documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and
- borrower qualification with any outstanding special assessment payment.

The financial documents of the HOA are required for review to confirm the association has the ability to fund any repairs.

If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed, or the project is not eligible. Additionally, If the client or appraiser is unable to determine that there is no adverse impact, the project is ineligible.

INSPECTION REPORTS

If a structural and/or mechanical inspection was completed within 3 years of the project review, a copy of the report must be provided. The report cannot indicate any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required.

If the inspection report indicates ongoing repairs, a letter from the engineer indicating the project is safe for occupancy while the repairs are going on should be provided when it is not evident through the inspection that the repairs are not critical in nature.

If the inspection report indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly. A review of the engineer's report or substantially similar document to determine if the repairs completed have resolved the safety, soundness, structural integrity, or habitability concerns of the project is required.

ESTABLISHED PROJECTS

Established projects are determined based on a review of sold and conveyed units as follows:

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- If less than 90% of the units are sold and conveyed, but the deficit is the result of the developer holding back units, the project may be considered established if:
 - The developers share of the units held back for rental is no more than 20% of the project's total units;
 - HOA fees are paid current in developer held units; and
 - There are no active or pending special assessments in the project.

The following are required in both instances:

- Non-warrantable projects, 30% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

NEW PROJECTS

- 40% of the total units in the project or subject's phase must be sold and conveyed or be under contract for sale to the unit owners AND at least 40% of the units must be owner occupied or second homes.
- Project or subject's legal phase along with other development phases must:
 - Have a Certificate of Occupancy or other similar document issued by the applicable governmental agency for the project or subject phase; AND
 - All units and buildings in the legal phase in which the subject property is located are complete, subject to the installation of buyer select items, such as appliances.
- All common elements in the project or legal phase must be 100% complete or provide documentation to ensure acceptable completion assurances arrangements that guarantee the future completion of all project facilities, common elements, and limited common elements. Evidence of assurance arrangements may include:
 - An attorney opinion letter, or

- A current balance sheet along with details on the remaining work to be done to render all amenities/facilities complete and the estimated cost to complete, or
- Evidence escrow funds deposited for recreational amenities.
- Project may be subject to additional phasing.

CONDOMINIUM CONVERSIONS

- A condominium conversion is the conversion of an existing building to a condominium project. Project conversions legally created in the past year must meet new condo presale requirements.

SITE CONDOMINIUMS

- Projects consisting of single-family detached dwellings (also known as site condominiums) are acceptable provided the appraisal supports market acceptance of site condominiums in the subject's market area. A Condominium Project Questionnaire is not required.
- Appraisals for site condos may be documented on FNMA Form 1073 or 1004. When documented on the 1004, the appraiser should include an adequate description of the project, information about the homeowners' association fees, and note the quality of the project maintenance.
- Standard Condominium insurance requirements apply when detached unit is covered by a master insurance policy.

CONDOTELS

- **Condotels - Temporary restrictions in the State of Maryland no longer apply to Business Purpose loans effective 1/28/2025; restrictions remain in effect for Second Homes since 1/20/2025.**
- Available with ALT-A, DSCR and Foreign National Programs. Refer to the related Program Matrices for LTV Limits and additional eligibility requirements.
- Projects that 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 which offers rentals of units on a daily, weekly, or monthly basis. Note that the ability to rent units on a shorter-term basis without hotel elements such as having a front desk and/or maid service, does not necessarily render the project a condotel.
- Hotel or motel conversions (or conversions of other similar transient properties.)
- Project has obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines.

CONDOTEL FULL & ALT DOC – SECOND HOME AND NOO

*Other Condotel requirements:

- A minimum unit square footage is not required; however, units must contain a full-size kitchen and kitchen appliances to be eligible for financing. In addition, similarly sized comparable from competing projects must be provided to demonstrate market acceptance for units with < 400 square feet.
- Must have at least 1 separate bedroom
- Must be in a resort area or must be affiliated with a national hotel chain.
- Max LTV on cash out is 65%, with max cash in hand of \$250k.
- Available for Foreign National, Second Home and NOO only

CONDOTEL DSCR



**Other Condominium requirements:*

- A minimum unit square footage is not required; however, units must contain a full-size kitchen and kitchen appliances to be eligible for financing. In addition, similarly sized comparable from competing projects must be provided to demonstrate market acceptance for units with < 400 square feet.
- Must have at least 1 separate bedroom
- DSCR Max 65% FN and 60% Cash out.
- Must be in a resort area or must be affiliated with a national hotel chain.
- Max LTV on cash out is 65%, with max cash in hand of \$250k at 65% LTV.

COOPERATIVES (CO-OP)

Available with ALT-A for the Delegated Correspondent Channel only and Correspondent must use their Closing Plan Codes. See the ALT-A Program Matrix for details.

The Co-op project in which the secured unit is located must qualify as a cooperative housing corporation under Section 216 of the Internal Revenue Service Code. The file must contain evidence regarding the project's compliance with Section 216 (See FNMA Guides B4-2.3-02, Co-op Project Eligibility (11/06/2024) for more specifics).

If the co-op project does not meet Section 216 requirements, SOLVE Mortgage will not purchase a co-op share loan from within the project. SOLVE Mortgage will only purchase co-ops from Delegated Correspondent clients. Refer to the Correspondent Responsibilities section below.

Co-op Eligibility Requirements

- Occupancy: Primary, Second Home or Investment Property.
- Loan Purpose: Purchase and Rate/Term Refinance only.
- Subordinate Financing: Not Permitted.
- Eligible Location: The five (5) boroughs of New York City: Bronx, Brooklyn, Manhattan, Queens, and Staten Island.

Co-op Project Requirements

- The co-op housing project must be designed primarily for residential use.
- Must consist of two (2) or more units and be in an area that has demonstrated market acceptance for the co-op form of ownership as reflected by the availability of similar comparable sales for co-op units in the market area.
- All projects must be owned fee simple.
- The project premises must be free and clear of liens and encumbrances.

Calculating the LTV Ratio for Co-op Share loans

- The method for calculating the LTV ratio for a co-op share loan is based on whether the borrower assumes their pro rata share of the blanket mortgage or does not. In those markets where the borrower assumes their pro rata share of the blanket mortgage, the LTV ratio is determined by dividing the original loan amount by the lower of
- the sales price for the co-op unit (unencumbered by the unit's pro rata share of the co-op project's blanket mortgage(s)), or
- the appraised value of the co-op stock or shares and the related occupancy rights (unencumbered by the unit's pro rata share of the project's blanket mortgage(s)).
- In those markets where the borrower does not assume their pro rata share of the blanket mortgage, then



the LTV ratio is determined by dividing the original loan amount by the lower of

- the sales price for the co-op unit, or
- the appraised value of the co-op stock or shares and the related occupancy rights.

Co-op Loans Requirements Documentation (In addition to standard loan delivery documentation)

- Note
- Security Agreement Against Stock Certificate
- Stock Certificate
- Stock Power (1. Borrower to Member and 2. Member to Correspondent)
- Proprietary lease
- Assignment of Proprietary Lease (1. Borrower to Member and 2. Member to Correspondent)
- UCC-1
- UCC-3 (Extension)
- UCC-1 (Assignment)
- Recognition Agreement
- Fully completed, signed and dated FNMA Form 1074 (Co-op Questionnaire).

Delegated Correspondent Responsibilities:

- The Delegated Correspondent is responsible for determining that the co-op corporations hold title to the property of the co-op project, including dwelling units. Co-op projects where the borrower (not the co-op corporation) owns his or her dwelling unit in the project will not be eligible.
- Co-op share loans in these projects are commonly referred to as “land-home” or “land- lease” co-op projects and are not acceptable.
- The co-op corporation must have good and marketable title to the property, including the dwelling units and amenities.
- Newly constructed or conversion of existing buildings are allowed.
 - All units, common areas, and facilities within the project must be 100% complete.
 - The project cannot be subject to additional phasing or annexation.
 - All construction and rehabilitation for the project must be completed in a professional manner.
 - Manufactured housing is not permitted.
- Stock, share, or other contractual agreements evidencing ownership, and the accompanying occupancy rights that represent at least 50% of the total number of stock or shares in the co-op corporation and the related occupancy rights of units in the project must have been sold and conveyed (or, for new construction, must be under contract for sale) to principal residence purchasers.
- The project’s most recent operating budget audited financial statements, or corporate tax returns must be consistent with the nature of the project, provide for adequate cash flow to service the current debt and operating expenses, and must provide for adequate replacement and operating reserves.
 - If the most recent budget is not available, SOLVE Mortgage may rely on a review of the co-op corporation’s most recent audited financial statements or corporate tax returns to determine that the financial requirements in this section have been met.
 - The project must have a good financial record, with no more than 15% of the owners being more than 60 days delinquent in the payment of their financial obligations to the co-op corporation.
- If the project is a recipient of subsidies or similar benefits (such as tax or assessment abatements) that will terminate partially or fully within the next three (3) years, SOLVE Mortgage must evaluate the impact the expiration of such benefit will have on the project.
 - If the benefit is scheduled to expire within three (3) years from the note date, SOLVE Mortgage



must include the higher monthly fees in the borrower's monthly liabilities for debt-to-income ratio qualifying purposes. The units in the project must be owned in fee simple.

- The co-op corporation must have the sole ownership interest in the project's facilities,
- common elements, and limited common elements, except as noted below.
- Shared amenities are permitted only when two or more residential projects share amenities for the exclusive use of the unit owners. The associations or corporations must have an agreement in place governing the arrangement for shared amenities that includes the following:
 - a description of the shared amenities subject to the arrangement;
 - a description of the terms under which unit owners in the project may use the shared amenities;
 - provisions for the funding, management, and upkeep of the shared amenities; and
 - provisions to resolve conflicts between the residential projects regarding the amenities.
 - Examples of shared amenities include, but are not limited to, clubhouses, recreational or fitness facilities, and swimming pools.
- The developer may not retain any ownership interest in any of the facilities related to the project. The amenities and facilities, including parking and recreational facilities, may not be subject to a lease between the unit owners or the co-op corporation and another party. Parking amenities provided under commercial leases or parking permit arrangements with parties unrelated to the developer are acceptable.

MANUFACTURED HOUSING

Available with the ALT-A Program for the Delegated Correspondent Channel only.

- The home must be at least 750 square feet and 20 feet wide
- The home must be constructed to the "HUD Code" i.e. the federal manufactured home construction and safety standards for manufactured housing,
- The home must be on a permanent chassis, installed on a permanent foundation system, and titled as real property.
- The home may not be older than 5 years old or if in need of repairs (as per the appraisal) of more than 5% of the property value.
- The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit.
- The home must not be subject to a ground lease or located on leased land.
- The sales price of a new manufactured home may include bona fide and

documented costs associated with transportation, site preparation, and dwelling installation at the site.

DISASTER AREAS POLICY

Appropriate steps must be taken to identify areas impacted by disasters to ensure the subject property has not been adversely affected. The Disaster Policy applies to properties located in FEMA declared disaster areas in which individual assistance has been granted, which can be found on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring in and around the subject property's geographic region and a formal declaration has not yet been made, additional due diligence is required to determine whether the disaster area guidelines must be followed.

Damage to the subject property must meet requirements in [Deferred Maintenance](#).



PROPERTY APPRAISED PRIOR TO DISASTER INCIDENT

If the appraisal effective date is prior to the disaster incident, the following documentation is required:

- Clear Capital Post Disaster Inspection Report (PDI or equivalent); or
- An exterior inspection completed by licensed third-party professional:
 - Exterior Inspection must certify the condition of the subject property and identify any impact to habitability or marketability related to the named disaster.
 - Inspection report must include photographs (the front, street view, and any damage to subject property).
 - Inspection report and evidence of inspector licensing must be retained in loan file.

If the appraisal was complete at the time of the disaster but 'subject to completion' or 'subject to repairs', an Appraisal Update and/or Completion Report (FNMA Form 1004D) is required in addition to the inspections listed above. Note that both inspections may be done on the same 1004D form provided the appraiser specifies the 1004D covers both the required repair work and the post-disaster inspection.

PROPERTY APPRAISED AFTER DISASTER INCIDENT

When the appraisal effective date is after the disaster incident, no additional documentation is required.

DISASTER INCIDENT OCCURS AFTER CLOSING, PRIOR TO FUNDING OR PURCHASE

If the disaster incident occurred after closing, the loan is ineligible for purchase or funding until one of the following is received certifying no damage to the subject property:

- Clear Capital Post Disaster Inspection Report (PDI or equivalent) that names the disaster that required the inspection; or
- Appraisal Update and/or Completion Report (FNMA Form 1004D) that names the disaster that required the report

DISASTER EFFECTIVE TIME PERIOD

Guidelines for disaster areas should be followed for 60 days from the incident period ending date or the date the adverse event occurred, whichever is later.

PROPERTY INSURANCE

HAZARD INSURANCE

MINIMUM HAZARD INSURANCE COVERAGE

Hazard insurance 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 damages caused by aircraft, vehicle, or explosion.

Required perils include:

- Fire or lightning
- Explosion
- Windstorm (including named storms)
- Hail



- Smoke
- Aircraft
- Vehicles
- Riot or civil commotion

The coverage must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable.

DETERMINING THE AMOUNT OF REQUIRED HAZARD COVERAGE

Hazard insurance coverage should be in the amount of the lesser of:

- The unpaid principal balance of the mortgage or
- 100% Replacement Cost Coverage as stated on the policy declaration page.

If the above requirements are not met, it will be acceptable to provide coverage equal to at least 100% of the insurable value of improvements, as established by the property insurer through a Replacement Cost Estimator of equivalent.

Note: If the policy does not cover the unpaid principal balance, have guaranteed replacement cost or a replacement cost estimate is not provided, a processor's certification from SOLVE Mortgage verifying the insurer's coverage is equal to 100% of the insurable value of improvements as indicated by the insurance agent or representative. The certification must include the insurance company's complete information, subject property address, confirm the replacement cost amount determined by the insurer, and be signed and dated by the processor.

DEDUCTIBLE AMOUNT

The maximum allowable deductible for insurance covering a property securing a first mortgage loan is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

EVIDENCE OF HAZARD INSURANCE

Policy must be effective for at least 60 days after the date of funding (does not apply to condominium project insurance policies). Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the names on the note.
- Property address agrees with the note/security instrument.
- Mailing address is the same as property address.
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount
- Coverage amounts and deductible.

- Loss payee clause as applicable
- Signed and dated by agent.

OPTIONAL COVERAGE

Hazard insurance policies may include optional coverage(s) which are acceptable but are not required. For example, a “homeowners” or “package” policy is acceptable as long as any part of the coverage that exceeds the required coverage is not obligated for renewal.

CONDOMINIUM AND PUD PROJECT INSURANCE REQUIREMENTS

CONDO PROJECTS

The master property or flood insurance policy must designate the HOA as the named insured. If the condo’s legal documents permit it, the master property or flood insurance policy can specify an authorized representative of the HOA, including trustee, as the named insured.

PUD PROJECTS

The master property or flood insurance policy must designate the HOA as the named insured.

COVERAGE REQUIREMENTS

The insurance policy must at a minimum protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard “all risk” or “special form” endorsement. If the policy does not include an “all risk” or “special form” endorsement, a policy that includes the “broad form” covered causes of loss is acceptable. If the master policy excludes or limits coverage of any of the required perils, the HOA must obtain an acceptable stand-alone policy which provides adequate coverage for the limited or excluded peril. Required perils include:

- Fire or lightning
- Explosion
- Windstorm (including named storms)
- Hail
- Smoke
- Aircraft
- Riot or civil commotion
- Vandalism
- Sprinkler leakage
- Sinkhole Collapse
- Volcanic action
- Falling objects
- Weight of snow, ice or sleet
- Water damage

The policy must be provided for claims to be settled on a replacement cost basis. Policies written on an actual cash value basis are not acceptable.

SPECIAL COVERAGE REQUIREMENTS

The following special coverage requirements apply to both warrantable condos and PUD Master Insurance Policies.

- **Inflation Guard Coverage** – the coverage is not required if it's not obtainable in the insurance market available to the association. In addition, inflation guard coverage is not required when the policy has guaranteed replacement cost or extended replacement cost.
- **Building Ordinance or Law Coverage** – the coverage may be included in the property coverage form or obtained as an endorsement to the property insurance policy. Coverage is not required if it is not obtainable in the insurance market to the association. When required, the coverage must include:
 - Coverage A: loss to the undamaged portion of a building,
 - Coverage B: demolition costs, and
 - Coverage C: increased cost of construction.
- **Boiler and Machinery/Equipment Breakdown Coverage** – this coverage is required if the project development has central heating or cooling. The coverage may be included in the property coverage form, obtained as an endorsement to the master policy, or the HOA may purchase a stand-alone policy. This coverage is not required when each unit is metered individually, or with evidence that coverage is not obtainable to the HOA in the insurance market.
 - When required, the amount must equal the lesser of \$2m or the replacement cost value of the building(s) housing the boiler or machinery.

REQUIRED COVERAGE AMOUNT

Insurance must cover 100% of the replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost – the insurer agrees to replace the insurable property regardless of the cost,
- Extended Replacement Cost – the insurer agrees to pay more than the property's insurable replacement cost, or
- Replacement Cost – the insurer agrees to pay up to 100% of the property's insurable replacement cost.

To the extent the master property insurance policy does not cover the interior or improvements of a unit in a project development, the borrower must maintain individual property insurance policy. The coverage must be sufficient to restore the unit to its condition prior to a loss event. Sufficient coverage should be based on the best information known or available, which may include information obtained from the borrower, in collaboration with the insurer, the HOA, or other appropriate resources to make such a determination.

POLICIES COVERING MULTIPLE PROJECTS

Acceptable policies must provide coverage for either an individual project or multiple affiliated projects.

Except as described below, unaffiliated projects may not share a master property insurance policy. Each project must maintain its own policy that meets the defined requirements.

If a property insurance policy that covers multiple unaffiliated projects provides a dedicated coverage amount for each individual covered project, the policy structure may provide equivalent coverage to the defined coverage amounts. The coverage amount dedicated to the subject project must be sufficient to cover the full replacement cost value of the project improvements including the common elements and residential structures. The coverage of each insured project cannot be affected by any actions or omissions of unaffiliated projects covered by the same policy. Additionally, all other master property insurance requirements for project developments must be met.



DEDUCTIBLE AMOUNT

The maximum deductible for the following policies is 5%; however, a deductible of up to 10% is permitted on non-warrantable projects when the HOA budget is sufficient to cover the deductible.

- Policies covering the common elements in a PUD or Condo Project,
- Losses related to individual PUD units covered by a blanket policy for the project,
- Separate wind-loss policies,
- Blanket policies that cover both the individual unit and the common elements.

GENERAL LIABILITY COVERAGE

Project liability insurance requirements of \$1,000,000 per occurrence is required.

FIDELITY BOND COVERAGE

Fidelity bond coverage is required for condominium projects over 20 units:

- Warrantable Project
- New Projects

When required, the coverage must be at least equal to the greater of 3 months HOA dues or the minimum required by state law. Coverage is not required when the calculated amount is \$5,000 or less.

FLOOD INSURANCE

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. SOLVE Mortgage aligns with Fannie Mae on Flood Insurance, and it is only required when a mortgage loan is secured by a property located in:

- A Special Flood Hazard Area (SFHA), or
- A Coastal Barrier System (CBRS) or Otherwise Protected Area (OPA)

FLOOD CERTIFICATE

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- The Flood Certificate, Section B4 "Flood Zone" field is marked as "None" and Section B5 "No NFIP Map" is checked (true); and the "No" box in Section D "Determination" is checked validating the property is not in a FEMA flood zone containing the letters A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

MINIMUM FLOOD INSURANCE COVERAGE

The minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements.
- the maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or
- the unpaid principal balance of the mortgage

ACCEPTABLE FLOOD INSURANCE POLICIES

The flood insurance policy must be one of the following:

- A standard policy issued under NFIP; or
- A policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under a NFIP policy based on a review of the full policy issued by the private insurer.

PROJECT FLOOD INSURANCE REQUIREMENTS

The flood policy for a PUD or condominium project must cover at minimum the subject unit's building and any common element buildings and any other common elements and property, including machinery and equipment that are part of the building. The amount of flood insurance coverage for a PUD or condo project should be at least equal to the lesser of 80% of the replacement cost value or the maximum coverage available under the appropriate National Flood Insurance Program (NFIP) per unit.

DEDUCTIBLE AMOUNT

The maximum allowable deductible is the maximum available from the NFIP, which is currently \$10,000. The maximum allowed deductible for a PUD or condo project is \$25,000.

EVIDENCE OF FLOOD INSURANCE

Flood insurance must be maintained throughout the duration of the loan. If final evidence of flood insurance is not available at closing, the following may be used:

- Completed and executed NFIP application with a copy of the borrower's premium check, the insurance agent's paid receipt, or the final settlement statement reflecting the flood insurance premium paid at closing.
- Completed and executed NFIP General Change Endorsement Form showing the assignment of the current flood insurance policy by the property seller to the borrower.
- Agent-executed NFIP Certification of Proof of Purchase of Flood Insurance

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the note.
- Property address agrees with the note/security instrument.
- Mailing address is the same as property address.
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount and deductible
- Coverage amount
- Loss payee clause as applicable
- Signed and dated by agent.

MORTGAGEE / LOSS PAYEE CLAUSE

LOSS PAYEE CLAUSE

PFN Lending Group, Inc., ISAOA
5016 North Parkway Calabasas, Suite 200
Calabasas, CA 91302
Loan Number:

MORTGAGEE CLAUSE REQUIREMENTS BY PROPERTY TYPE

- **1-4 Unit Properties**
 - The applicable insurance policy must include (or have attached) a "standard" or "union" mortgagee clause (without contribution) in the form customarily used in the area in which the property is located. A loss payable clause in lieu of a mortgagee clause is not acceptable.
- **Unit in a project development**
 - If a unit owner or shareholder maintains an individual property insurance policy (as indicated by the project's legal documents) or if an individual property insurance policy is required in accordance with Determining if a Master Property Insurance Policy is required ([B7-3-03, Master Property Insurance Requirements for Project Developments](#)) for interior coverage, it must include the standard mortgagee clause as defined above.
 - If an individual flood insurance policy is required in accordance with Requirements for Project Developments ([B7-3-06, Flood Insurance Requirements for All Property Types](#)), it must include the standard mortgagee clause as defined above.

NAMED INSURED FOR PROPERTY AND FLOOD INSURANCE

- **1-4 Unit Properties or Individual Units in a Project Development**
 - The individual property or flood insurance policy last name all persons holding title to the subject property as named insured to ensure the borrower(s) has full rights to the policy and the ability to receive benefits is not impaired.
- **Condo Projects**
 - The master property or flood insurance policy must designate the HOA as the named insured. If the condos legal documents permitted the master property or flood insurance policy can specify an authorized representative of the HOA, including its insured trustee, as the name insured.
- **PUD Projects**
 - The master property or flood insurance policy must designate the HOA as the named insured.

NOTICE OF CANCELLATION FOR PROPERTY INSURANCE

The policy must require the insurer to notify in writing the named insured and mortgagee(s) before it cancels the policy.

TITLE INSURANCE



TITLE POLICY REQUIREMENTS

Loans must be covered by a title insurance policy that has been paid in full and is valid, binding, and remains in full force and effect.

Preliminary title must indicate that the final title policy will be issued after funding.

The title insurer must be qualified to do business in the state where the subject property is located. The title insurer and policy must conform to Fannie Mae/Freddie Mac requirements.

BORROWER INFORMATION

All borrower names must be indicated on the title commitment. If the borrower's marital status appears to be different than on 1003, the discrepancy must be addressed. The property seller's name must be cross-referenced to the purchase agreement and valuation chain of title.

COVERAGE AMOUNT

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

INSURED NAME

Title policy must ensure the seller as its name appears in the security instrument. It must also include the language "its successors and assigns as their interest may appear."

AGE OF REPORT

The preliminary title report/title commitment should be dated no later than 90 days prior to closing. Any requirements by title, such as Statements of Information or copies of trust agreements, must be cleared prior to closing.

VESTING

Final title policy vesting should reflect the name(s) of the individual borrower(s). See [Vesting and Ownership](#).

GAP COVERAGE

The preliminary title report/title commitment must be updated after closing in writing to ensure the mortgage is in first lien position and documented through one of the following:

- Final title policy
- Title bring-down search representing the period of time from the original search through the time the mortgage is recorded.
- Gap coverage from the time of the original search until the mortgage is recorded, when the mortgage is not recorded at the time of diligence.

TITLE POLICY FORMS

The final title policy must be written on one of the following forms:

- 2006 American Land Title Association (ALTA) standard form
- ALTA short form

- ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided those amendments are acceptable to Fannie Mae/Freddie Mac.

TITLE POLICY UNDERWRITER

A title insurer must be:

- duly authorized and licensed, as required, to issue title insurance in the state where the property is located; and
- further evaluated in accordance with the SOLVE Mortgage's procedures for title insurer approval, which may include factors such as
 - an acceptable rating from a rating agency,
 - financial strength of the title insurer,
 - adequate reserves, or
 - record related to satisfactory title claim resolution.

Note: Iowa Title Guaranty is an acceptable title guarantor for properties located in the state of Iowa

TITLE COMMITMENT REVIEW

CHAIN OF TITLE

All files are to contain a 24-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 24 months should be provided. The vesting history should be reviewed for inconsistencies or any indication of flipping activity.

TITLE EXCEPTIONS

The following items are allowable title exceptions:

- Customary public utility subsurface easements: the location of which are fixed and can be verified. The exercise of rights of easement will not interfere with use and enjoyment of any improvement of the subject property or proposed improvements upon which the appraisal or loan is based.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes, or along the rear property line for drainage, provided they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property; and public utility restrictions, provided their violation will not result in the 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 subject property.
- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them.
- Encroachments on one foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a 10-foot clearance between the buildings on the subject property and the property line affected by the encroachments.
- Encroachments on the subject property by improvements on adjoining property provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.
- Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.



SURVEY REQUIREMENTS

If surveys are not commonly required in a particular jurisdiction, an ALTA 9 endorsement can be obtained. If neither a survey nor the ALTA 9 endorsement are customary in a particular location, title must not have a survey exception.

If the title company requires a survey or plat map due to an exception noted on the title policy, a copy must be submitted in the loan file. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.

Surveys should be reviewed for easements, encroachments, flood zone impacts, and possible boundary violations, taking into account the location of the dwelling on the property.

DSCR SUPREME & INVESTOR DSCR PROGRAMS

GENERAL PROGRAM INFORMATION

DSCR 1-4 UNIT PROGRAMS

The DSCR Programs are designed for investment or non-owner-occupied loans that are designated for business purposes only. Overlays are addressed in the related Program Matrices and in this section.

The Property must not and cannot be occupied by a borrower, any member of the borrower's LLC, or any family member.

DSCR (1-4 UNITS) LEASE AND OCCUPANCY REQUIREMENTS

- For Purchase, Rate/Term Refinance and Cash-Out transactions, all units must be either leased or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease agreements that allow single room occupancy or boarder leases are not permitted.
- Third party sale and leaseback agreements or contract for deed transactions will not be permitted.
- All leases must be in US Dollars.

DSCR FORMS

The following forms are required:

- Business Purpose & Occupancy Affidavit (all borrowers are required to sign to declare that the property is, or will be, for commercial business or investment purpose only)
- For Retail and Wholesale channel transactions only: The Business Rider to the Mortgage/Deed of Trust must be executed at closing. This requirement does not apply to Correspondent channel transactions.
- Compliance Agreement – DSCR Loans: Effective with loans delivered for purchase on or after 8/15/2023, the SOLVE Mortgage, Compliance Agreement, or Client's equivalent document will be required (*In which the*



borrower(s) agree(s) to furnish the Lender and its successors and/or assigns with current copies of any and all Lease Agreements within a reasonable time upon request.).

- 1-4 Family Rider/Assignment of Rents (FNMA Form 3170)
- Guaranty (if applicable)

PREPAYMENT PENALTIES, POINTS, AND FEES

Total points, fees, and APR may not exceed current state and federal high-cost thresholds.

Prepayment penalties are required on all DSCR Programs when permitted by law. Buydown options are available to reduce or remove prepayment penalties. See the appropriate SOLVE Mortgage Rate Sheet for details.

Note: States may impose different definitions of points and fees, rate/APR, or prepayment penalties than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a "high-cost mortgage" (or equivalent terms) under state law. As a matter of policy, SOLVE Mortgage, does not purchase loans defined as high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.

CASH-OUT REFINANCE

A signed Borrower Certification of Business Purpose disclosing the purpose of the cash-out must be obtained on all cash-out DSCR transactions. Proceeds of the loan are limited to the purchase, improvement, or maintenance of the subject property. Utilizing proceeds of the loan for personal, family, or household purposes is prohibited.

For properties acquired in the past 12 months, the property may not be unleased as defined by guidelines and DSCR must be .75 or greater (a property just rehabbed is not considered unleased if it is vacant).

CONTINUITY OF OBLIGATION

For DSCR \geq .75 please refer to the standard guide for [Ownership Requirements](#).

No Ratio DSCR Loans - Continuity of ownership is required on all refinance transactions. For No Ratio loans refinance transactions, it occurs when at least one borrower(s) or member of the LLC on the existing mortgage is also a Borrower on the new refinance transaction. When an existing mortgage will be satisfied as a result of the refinance transaction, the following requirements must be met:

- At least one borrower on the refinance mortgage held title for the most recent six (6) month period and the mortgage file contains documentation evidencing the borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six (6) month period.
- At least one borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises by a court in the case of divorce, separation, or dissolution of domestic property.

DELAYED FINANCING

Delayed Financing loans are considered cash out refinances for eligibility purposes, however, are not subject to cash-in-hand limits. It is also acceptable for a property to be unleased on a DSCR provided the appraiser indicates in the appraisal that the property has been improved or rehabbed post-acquisition, to warrant the



lack of an existing lease. The explanation and documentation are subject to Underwriter review to determine if an acceptable reason has been provided for lack of a lease.

FLIP TRANSACTIONS

When the subject property is being resold within 180 days of its acquisition by the Seller with more than a 20% increase in value, the transaction is considered a “flip”. To determine the 180-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction including but not limited to the spouse of the Seller or Borrower being the Realtor on the transaction.
- No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignments of the contract to another buyer, with the exception of an individual assigning the contract to an entity in which they have ownership.
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained.
- If the value of the property being purchased after being rehabbed appraises at more than 20% of the seller’s acquisition cost and the 6-months seasoning requirement is not met, one (1) full interior/exterior appraisal and a Clear Capital Desk Review is required.

DSCR BORROWERS

BORROWER ELIGIBILITY

Refer to the DSCR Program Matrices for borrower eligibility. First Time Home Buyer restrictions do not apply to DSCR.

FRAUD REPORT AND BACKGROUND CHECK

SOLVE Mortgage will obtain a third-party fraud detection report for all borrowers and/or guarantors. Report findings must cover standard areas of quality control including, but not limited to borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by brokers.

In addition to the fraud and background check requirements, SOLVE Mortgage will provide evidence via an unsuccessful return if background check is not available. The fraud check should also include occupancy status to assist in the validation and endorsement of the *Business Purpose & Occupancy Affidavit*.

LIMITED POWER OF ATTORNEY

A Limited Power of Attorney (POA) is acceptable when the following requirements are met:

- POA is specific to the transaction.
- Recorded with the mortgage/deed of trust.
- Contains an expiration date.
- Used only to execute the final loan documents.
- Borrower who executed the POA signed the initial 1003.
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney.
- Not permitted on cash-out transactions.
- Not permitted on loans vesting in the name of an Entity.

VESTING AND OWNERSHIP

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- [Inter Vivos Revocable Trust](#)
- [Business Entity](#)
 - Limited Liability Company (LLC)
 - Limited and General Partnerships
 - Corporations
 - S Corporations

Note: Only individuals can act as borrowers. The other entities listed above relate only to an ownership interest in the subject property.

INELIGIBLE BORROWERS

The following borrowers are not eligible:

- LLCs, partnerships, or corporations (may qualify for vesting only)
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction.
- Residents of any country not permitted to transact business with US companies are ineligible (as determined by any U.S. government authority)
- ITINs
- Irrevocable Trust
- Trusts or Land Trusts (trusts may qualify for ownership vesting only)
- Borrowers less than 18 years old
- Refer to the [State Restrictions](#) section in this Guide and Matrices.

DSCR - CREDIT ANALYSIS

APPLICATION

The application must include the subject property (when the transaction is a refinance) along with the borrower's primary residence on the Schedule of Real Estate owned. Other properties owned by the borrower are not required to be disclosed on the application.

CREDIT INQUIRIES

An inquiry explanation is not required on DSCR loans.

CREDIT SCORE REQUIREMENTS

When there are multiple borrowers, the lowest applicable score from the group of borrowers is the representative credit score for qualifying.

TRADELINE REQUIREMENTS – NO RATIO LOANS

Each borrower must have a minimum of two (2) trades within the last 24 months that show a 12-month history, or a combined credit profile between borrower and coborrower with a minimum of three (3) tradelines.

Tradeline activity is not required. Eligible trades cannot have a derogatory history in the previous 24 months.

Current housing not reporting on credit can be considered an open trade if supported by bank records such as cancelled checks/debits.

EVIDENCE OF PRIMARY RESIDENCE AND RENT-FREE SCENARIO

All borrowers must presently maintain a primary residence.

- Borrowers who own a primary residence must provide proof of ownership or evidence they are living in a property owned or rented by their spouse/domestic partner.
- Borrowers who rent a primary residence must provide evidence of an active lease in place.
- Rent-free circumstances in which the borrower is not residing with their spouse/domestic partner, will be considered as follows:
 - On a refinance transaction, provided the borrower has an established address supported by a rent-free letter from the property owner and there is no suggestion of occupancy in the subject property.
 - On a purchase transaction:
 - When the subject property is located in a different geographic area from the residence, or
 - The borrower is an experienced investor with existing REOs

Primary residence should be supported by one of the following characteristics:

- Geographically consistent with borrower's place of employment; or
- General appeal and location of primary is superior to subject property.

MORTGAGE AND RENTAL PAYMENT VERIFICATION

- Mortgage and rental payments on the subject and primary residence not reflected on the original credit report must be documented via an institutional third-party (Verification of Rent or Verification of Mortgage - VOR/VOM).
- An updated mortgage history reporting current as of the funding date of the new transaction is only required for the subject property and the primary residence.



- Any mortgage tradeline reporting on the credit report for properties owned by the borrower must be included when reviewing the housing history eligibility.
- Any non-subject or non-primary mortgages not reported to the credit report do not have to be documented.
- The combined housing payment history may not exceed 1x30 in the past 12 months and be current at closing when the DSCR is .75 or greater. No Ratio loans require a 0x30x12 combined housing history.

CONSUMER CREDIT COUNSELING SERVICE (CCCS)

Consumer Credit Counseling must be completed for a minimum of 24 months from the closing date.

JUDGMENTS AND TAX LIENS

Court-ordered judgments must be paid in full.

HOUSING EVENTS

A Housing Event is any one of the following events listed below:

- Foreclosure
- Deed-in-Lieu
- Short Sale
- Modification
- 0x120 mortgage history (in the last 24 months)

Housing Events must be seasoned for a minimum of 24 months from loan closing when the DSCR is .75 or greater. Three (3) years housing event seasoning required for No Ratio loans.

Seasoning of a foreclosure is the date the Judge signed the court documents. Seasoning for a deed-in-lieu, or short sale is measured from the date of completed sale or final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.

For a 120-day mortgage late, seasoning is from the date the mortgage was brought current. Seasoning for a modification is from the date the modification was executed.

If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.

BANKRUPTCY

Bankruptcies discharged or dismissed for a minimum of 36 months from closing date are eligible without the related Program Matrix LTV reductions.

- If discharge or dismissal: > 24 but less than 36 months, then:
 - Max 75% LTV for Purchase Transactions
 - Max 70% LTV for Rate/Term and Cash-Out Refinance Transactions
- Multiple bankruptcies are not permitted for No Ratio loans.
- For Chapter 13 Bankruptcy, the lookback period varies depending on if the bankruptcy was discharged or dismissed:
 - If the BK was discharged, the filing date will be used for the lookback period and the BK must be discharged for a minimum of 12 months.
 - If the BK was dismissed, the dismissal date is used for the lookback period.

DSCR - EMPLOYMENT/INCOME ANALYSIS



There is no employment verification or income analysis under the DSCR Programs.

DSCR – RATIOS AND QUALIFYING

DEBT-SERVICE COVERAGE RATIO

A Debt-Service Coverage Ratio (DSCR) must be calculated for the subject property. Market rent must be documented with FNMA Form 1007 or Form 1025, as applicable.

The DSCR calculation is as follows:

$$\text{Debt-Service Coverage Ratio} = \text{Gross Income} / \text{Proposed [P]ITIA}^*$$

**For DSCR Interest-Only loans, the DSCR calculation varies between Adjustable-Rate Mortgage Products and Fixed Rate Mortgage Products. See [Products](#) Interest-Only section to use the correct IO and Qualifying Rate calculation.*

REQUIRED DSCR RATIOS

- Investor DSCR:
 - Loan amounts < \$125K: 1.00
 - 1.00 minimum DSCR for LTVs > 80%.
 - >= .75 DSCR required for condotels
 - Cash out refinances on properties acquired in the past 12 months: .75
 - See matrix for minimum DSCR.
 - See matrix for applicable LTV reductions based on DSCR.
- DSCR Supreme:
 - Minimum 1.00
 - First Time Investors: 1.25

DSCR – LONG TERM RENTAL INCOME

Purchase

- Note that it is acceptable for the property to be vacant at the time of inspection on a purchase.
- The gross rents from the 1007/1025 will be used for qualification.
- If the property is currently tenant occupied, the 1007/1025 must reflect the terms of the current lease.
 - If the 1007/1025 is higher than the current lease, it's permissible to use the higher market rents to qualify.
 - If using a higher lease amount, evidence of 2-months of receipt is required and the lease must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds 120% of the market rents, the rents are capped at 120%.

Refinance

- On a Delayed Financing transaction, the property may be unleased at the time of the appraisal provided it complies with the DSCR Delayed Financing section.
- **FNMA 1007/1025 required, along with one (1) of the following:**
 - Executed lease with no less than 1 month remaining at time of close is required for all units in the subject property. Month-to-month tenancy is not subject to this requirement with sufficient evidence (such as a signed extension letter, or 1007 which includes a review of the current lease confirming month-to-month).
 - For recently rehabbed properties or for properties being rented through a short-term rental service, evidence the property is currently listed for rent. In these situations, it's permissible for the property to be vacant at the time of inspection.



- Leases are not required on no ratio loans.

Monthly gross rents are calculated as follows:

- If using the lesser of market rents or the lease, nothing further is required.
- If using a higher lease amount, evidence of 2-months of receipt is required, and the lease must be within 120% of the market rents. If the actual rent exceeds 120% of the market rents, the rents are capped at 120%.
- If using a higher estimated market rent from the 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease by more than 120%, the estimated market rent is capped at 120%.

DSCR - SHORT TERM RENTAL INCOME

General Requirements:

- All refinance transactions require the property to be leased. Vacant property not eligible with the exceptions of properties leased through short term rental agencies or on certain [Delayed Financing](#) see Delayed Financing section.
- Property must not be occupied by any member of the borrower's LLC or any family member.
- A 1007/1025 is required in all instances.

Short Term Rentals:

- Defined as properties leased on a nightly, weekly, monthly, or seasonal basis.
- All STRs require evidence from a third-party vendor (such as Property Guard, Vrolio or equivalent), validating that the governing municipality where the subject STR is located allows properties to be rented as STRs; with the exception of the five (5) New York City Boroughs (Manhattan, Brooklyn, The Bronx, Queens and Staten Island), which are ineligible for purchase by SOLVE Mortgage.
- Not permitted for No Ratio.
- Max LTV:
 - Refer to the DSCR Supreme or Investor DSCR Program Matrices for required LTV/CLTV limitations.
 - Foreign Nationals: Lesser of 70% or the LTV/CLTV available per the matrix.

INVESTOR DSCR PROGRAM - DSCR CALCULATION METHODS AND MINIMUM DSCR

- **Option 1:** Lesser of 1007/1025 completed using either long-term or short-term market rents – DSCR .75 (FN min 1.00).
 - When the 1007/1025 is prepared with the use of short-term rentals, the appraiser is required to address the seasonality of the subject property short term rental market in computing the market rent. If the appraiser fails to appropriately address for seasonality, gross rents should be computed using the vacancy factor as determined by the AirDNA Property Earning Report. For example, if the occupancy rate is 60%, a 40% vacancy factor must be applied to the short-term rental income from the comparable rent schedule.
 - For Long Term Rentals, when the actual rent as documented from the lease exceeds market rents, the higher figure may be used with two months' proof of receipt of the higher rental income.
- **Option 2:** 12-month lookback period to determine avg rents or annual or monthly statements from AirBNB or similar service - DSCR .75 (FN min 1.00)

DSCR: CALCULATION METHODS

- Gross Rental Income /PITIA Fully Amortizing or ITIA (for IO Loans)
- Gross Rental Income Calculation:
 - Purchase: Use Lesser of amount on rent schedule 1007/1025 using either long-term or short-term market rents.
 - Short term rental 1007/1025, the appraiser is required to address the seasonality of the subject property short term rental market in computing the market rent. If the appraiser fails to appropriately address for seasonality, gross rents should be computed using the vacancy factor as determined by the AirDNA Property Earning Report.
 - Long Term Rental: Lower of executed lease agreement (≥ 12 months) or market rent schedule for long term tenancy from the applicable appraisal 1007/1025. If the executed lease agreement reflects a higher monthly rent, the higher rent may be used when evidenced by the most recent two-month consecutive month rent payment is provided.
 - Refinance: 12-month lookback period to determine avg rents or annual or monthly statements from 3rd party vendor.

DSCR - ASSET ANALYSIS

See [Asset Analysis](#) for any asset requirements not specifically addressed in this section.

- Atypical deposits do not need to be sourced on DSCR transactions.
- Gift funds permitted after a minimum of 10% borrower contribution; however, gift cannot be used towards reserves.

DSCR RESERVES REQUIREMENTS

See related Program Matrices.

DSCR - PROPERTY

See [Property](#) for any property guidelines not specifically addressed in this section. See matrices for limitations for various property types.

RURAL PROPERTIES

- See [Property](#) for any property guidelines not specifically addressed in this section. See matrices for limitations for various property types.
- Rural properties are not permitted **for ALL DSCR Programs** with the exception of the following:
 - Rural properties located in a resort area will be considered to a maximum LTV of 65% provided the DSCR is 1 or greater. Examples of acceptable resort areas include beach towns, ski resort areas, golf communities or communities with other major recreational activities.
 - Properties must be accessible by roads that meet state/local minimum standards.
 - Properties must be suitable for year-round occupancy regardless of location.

LAND VALUE AND ACREAGE

Maximum acreage is 2 acres. Acreage and land value must be typical and common for the subject's market.

DECLINING MARKETS

An LTV reduction of 5% is required on all loans when the appraiser indicates the property is located in a declining market, unless the LTV is 65% or less.



DSCR - INSURANCE

See [Property Insurance](#) and [Title Insurance](#) for complete requirements.

In addition, Rent Loss Insurance for the subject property is required and must equal at least 6 months of PITIA. Blanket policies covering the subject property are permitted.

DSCR MULTI & MIXED (RESIDENTIAL 5-10 UNITS AND MIXED-USE PROPERTIES 2-8 UNITS)

PROPERTY RENTAL INCOME

- For a leased property the DSCR is based upon the lesser of the estimated market rents or the leases. On purchase transactions, copies of the leases are not required.
 - Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of two months or the time period after the lease expired.
- Vacant Unit(s) – Use 75% of the market rents to qualify.
 - Max 1 vacancy on a refinance of a 2-3 Unit property.
 - Max 2 vacancies on a refinance of a 4+ Unit property.
 - On a purchase, and/or a refinance situation where a property was recently rehabbed, with evidence the property is currently listed for rent, it is not considered unleased, and it is permissible for all units to be vacant at the time of purchase or refinance, provided all units are in lease-ready condition.
- Reduce Qualifying Rents by any management fee reflected on appraisal report.
- 2-8 Units Mixed Use: income from commercial space cannot exceed 49% of the total property income.

MULTI & MIXED USE -LEASE AND OCCUPANCY REQUIREMENTS

- For Purchase, Rate/Term Refinance and Cash-Out transactions, all units must be either leased or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease agreements that allow single room occupancy or boarder leases are not permitted.
- Third party sale and leaseback agreements or contract for deed transactions will not be permitted.
- All leases must be in US Dollars.

ELIGIBLE TENANTS

- Neither the borrower(s) nor the borrower's immediate family shall at any time occupy the residential units.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employer, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described previously.
- Borrowers must attest that all residential tenants are non-borrower affiliated.
- Commercial units may be occupied by the borrower's business, however in that instance the lesser of market rents or the amount of rent from the lease will be used when calculating the DSCR for the borrower occupied units.

INVESTOR EXPERIENCE



- First time investors:
 - Permitted for 5-10 Unit Residential properties only with a 0x30x24 primary housing history or if their primary is owned free and clear.
 - Not permitted for 2-8 Units Mixed Used. Purchasers of mixed use properties must have a history of owning and managing commercial or residential real estate for at least 1 of the last 3 years.

HOUSING HISTORY

- Mortgage payments are required on the subject property and primary residence only. Mortgage and rental payments on the subject and primary residence not reflected on the original credit report must be documented via an institutional third-party (Verification of Rent or Verification of Mortgage - VOR/VOM). Any mortgage tradeline reporting on the credit report for properties owned by the borrower must be included when reviewing the housing history eligibility.
- 0x30x24 housing history is required.

APPRAISAL REQUIREMENTS

Residential 5-10 units:

- FHLMC 71A
- FHLMC 71B for loan amounts < \$750K (Correspondent only)
- Narrative report may be used but is not required.

Mixed Use 2-8 Units:

- FHLMC 71A
- FHLMC 71B for loan amounts < \$750 (Correspondent only)
- General Purpose Commercial Forms (ex. GP Commercial Summary Form) or Narrative report

For loan amounts > \$2M, a second appraisal is not required if the 71A or Commercial Narrative report is provided.

The following are required with each report:

- Full Interior Inspection of each unit
- Rent roll.
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Appraiser qualifications

APPRAISAL REVIEW

- Commercial Broker Price Opinion (BPO) required based upon sales approach is required unless two full appraisals are provided.
- In Pennsylvania and North Carolina, a commercial evaluation product is used instead of a BPO.
- If the value from the BPO is more than 10% below the appraised value, then the value of the BPO is used for LTV purposes.

SECOND APPRAISAL

- Required for loan amounts > \$2.0m
 - 2nd appraisal not required when Form 71A Multifamily or Commercial Narrative report is provided.

PROPERTY REQUIREMENTS

- Residential 5-10 units
- Mixed Use 2-8 Units
 - For properties with less than 5 units, at least one must be commercial.
 - 2-3 Units: Max 1 commercial unit
 - 4-5 Units: Max 2 commercial units
 - 6-8 Units: Max 3 commercial units
 - Commercial space not to exceed 49% of the total building area.
 - Commercial space limited to the first floor only.
- Residential or commercial zoning acceptable.
- Rural properties are not permitted, **except as indicated in the Rural Properties section.**
- No fair or poor ratings
- No environmental issues (storage or use of hazardous material, such as dry cleaners/laundromats)
- No health or safety issues as noted by the appraiser such as broken windows, stairs, etc.
- No excessive deferred maintenance that could become a health and safety issue for tenants.
- No structural deferred maintenance such as foundation, plumbing, roof, electrical, etc.

Minimum property requirements:

- Minimum of 400 square feet per unit.
- Must be accessible and available for year-round residential use.
- Contain a full kitchen and bathroom.
- Represent the highest and best use of the property; and
- Not contain any health or safety issues.

PROHIBITED PROPERTY USE

Properties that contain one or more commercial establishments in any of the following businesses are prohibited:

- Adult Activities (including bars where food is not served and / or any establishment where one must be an Adult to enter).
- Any activity not permitted by law, ordinance, or regulation.
- Day care or childcare.
- Gambling activities.
- Manufacturing, distribution, and warehouse.
- Marijuana related activities.
- Medical activities not under the supervisor of a licensed doctor, dentist, chiropractor, psychologist, nurse practitioner, or nutritionist.
- Transient boarding, rooming house or similar.
- Vehicle repair or vehicle related included garages.
- Dry Cleaners or laundromats.



- Other property uses outside of character for the neighborhood in which the property is located, which present higher than ordinary risks for safety, or which are controversial within their community.

INSURANCE

See [Property Insurance](#) and [Title Insurance](#) for complete requirements.

In addition, Rent Loss Insurance for the subject property is required and must equal at least 6 months of PITIA. Blanket policies covering the subject property are permitted.

Mixed Use DSCR

FORMS AND TOOLS

The most up-to-date versions of all SOLVE Mortgage forms, matrices, and guidelines can be accessed through the SOLVE Mortgage Client Portal under *Guidelines and Matrices*.

The following forms can be found under *Documents* via the SOLVE Mortgage Client Portal

- Anti-Steering Disclosure
- Automatic Payment Authorization Form
- Borrower Certificate of Business Purpose
- Borrower Contact Consent
- Business Narrative
- Condo Project Questionnaire
- Exception Request Form
- Gift Letter
- ICD Request Forms
- LLC Borrowing Certificate
- NY Approved Attorney List
- Occupancy Certificate
- Request for Verification of Earnings
- Spousal Consent Form
- Taxpayer Consent Form

Sample Forms are available under *Documents* via in the Client Portal.

- Expense Statement CPA Letter
- Foreign National Mortgage Reference Letter
- Foreign National Bank Reference Letter
- Foreign National CPA Reference Letter for a Free and Clear Property
- Foreign National Credit Reference Letter
- Foreign National Employer Reference Letter

CHANGE HISTORY

Change Date	Description of Change
1/30/2025 v1.2	<p>Below please find a summary of updates effective immediately to our SOLVE Mortgage Guidelines and Matrices for applications submitted and locked effective on or after January 30, 2025.</p> <p>PROGRAM MATRICES – Updated as follows:</p> <ul style="list-style-type: none"> Geographic Restrictions: <ul style="list-style-type: none"> Effective immediately on 1/29/2025, the temporary restrictions in the State of Maryland have been lifted for <u>Business Purpose Only loans</u>. Updates apply to the following Programs: <ul style="list-style-type: none"> Alt-A Plus Alt-A <ul style="list-style-type: none"> Note: Going forward we will publish one combined Matrix for Delegated and Non-Delegated Correspondent & Wholesale. ITIN Super Jumbo DSCR DSCR Multi & Mixed Foreign National <p>MATRICES – Updated as follows:</p> <ul style="list-style-type: none"> All Matrices – Updated as follows: <ul style="list-style-type: none"> The version number will continue from the last published version along with the date the latest version was published. Example: <ul style="list-style-type: none"> Alt-A v1.2 published 1/20/2025 Alt-A v1.3 published 1/30/2025. Alt-A Plus – Updated as follows: <ul style="list-style-type: none"> Alt Doc Bank Statement Acceptable Variance Levels: Removed the requirements from the Matrix and Guidelines. DSCR - Updated as follows: <ul style="list-style-type: none"> Loan Amounts: Relocated the smaller loan amounts with LTV overlays from the General Requirements section to the Matrix by adding smaller loan amount tiers with restricted LTVs. >= 1.00 DSCR Matrix: Added the smaller loan amount tiers with the restricted LTVs to the grid to avoid confusion. Rural Property: reworded the requirements for clarity and consistency. DSCR Multi & Mixed – Updated as follows: <ul style="list-style-type: none"> Rural Property: reworded the requirements for clarity and consistency. <p>GUIDELINES – Updated as follows:</p> <ul style="list-style-type: none"> The Guide version number will continue from the last published version along with the date the latest version was published. Example: <ul style="list-style-type: none"> - Non QM Guidelines Version 1.1 published 1/20/2025 - NonQM Guidelines Version 1.2 published 1/30/2025 <p>General Program Information – Updated as follows:</p> <ul style="list-style-type: none"> Clarified that the Guidelines contain Program overlay sections when the requirements differ; and when the requirements are the same, we defer to the relevant sections of the general Guidelines. Note that where these Guidelines are silent, please defer to FNMA Guidelines. Alt-A Plus – Updated as follows: <ul style="list-style-type: none"> Assets – Verification and Sourcing Funds – Updated as follows: <ul style="list-style-type: none"> Updated to reflect that only one (1) bank statement covering the past 30-days or most recent quarterly statement is required. Alt Doc – Bank Statements Income Requirements: Removed this section containing overlays for ALT-A PLUS. Refer to the bank statement section within the Guide. Alt Doc Bank Statement Acceptable Variance Levels: Removed this section containing overlays for ALT-A PLUS. Refer to the bank statement section within the Guide. Alt Doc – Personal Bank Statements Requirements: Removed this section containing overlays for ALT-A PLUS. Refer to the bank statement section within the Guide. 2-1 Temporary Buydown – Updated as follows: <ul style="list-style-type: none"> Effective 1/28/2024, Business Purpose loans are no longer restricted by the State of Maryland temporary restrictions; the restrictions remain for Primary and Second Home loans since 1/20/2025. Please refer to the Program Matrices for eligibility. Co-Borrowers – Updated as follows: <ul style="list-style-type: none"> Removed the requirement to occupy the subject property. Bank Statement Analysis Requirements – Updated as follows: <ul style="list-style-type: none"> Reworded the requirements to clarify that for all Programs using bank statements to qualify, when updated bank



	<p>statements are provided, the income must be recomputed using the most recent statements provided.</p> <ul style="list-style-type: none"> • Personal Bank Statement – 12- or 24- Months – Updated as follows: <ul style="list-style-type: none"> ○ Removed the ALT-A PLUS overlay requiring a minimum of 50% ownership of the business for eligibility. • Business Bank Statement – Updated as follows: <ul style="list-style-type: none"> ○ Reworded the bullet that addresses the minimum 25% ownership requirement to include all applicable programs for eligibility when using bank statements. • Assets – Updated as follows: <ul style="list-style-type: none"> ○ Asset Documentation Removed 2-months requirements for ALT-A PLUS. • State Restrictions – Updated as follows: <ul style="list-style-type: none"> ○ Effective 1/28/2025 new rate locks restrictions in the State of Maryland are no longer in effect for Business Purpose Loans; the temporary restrictions remain in effect for Primary and Second Home loans since 1/20/2025. Please refer to the Program Matrices for eligibility. <p>Condotels – Updated as follows:</p> <ul style="list-style-type: none"> ○ Condotels for Business Purpose loans are no longer restricted in the State of Maryland as of 1/28/2025; the temporary restrictions remain in effect for Second Homes since 1/20/2025. Please refer to the Program Matrices for eligibility. <ul style="list-style-type: none"> • DSCR (1-4 Units) – Updated as follows: <ul style="list-style-type: none"> ○ Lease and Occupancy Requirements: Added this section to standardize the requirements across all DSCR Programs.
1/20/2025 v1.1	<p>Below please find an updated summary of updates to our NonQM Guidelines and Matrices for applications submitted and locked effective on or after January 20, 2025 v1.1.</p> <ul style="list-style-type: none"> ▪ First our matrices have been redesigned with a less colorful, cleaner look and layout. ▪ All matrices have been split into one (1) individual matrix per Program, grids have been created for each occupancy type, followed by both Full and Alt income documentation, general and underwriting requirements. ▪ Alt-A will continue to include Express (DU). ▪ For ITIN Borrowers, we have extracted the ITIN requirements from Alt-A and created an individual ITIN Program Matrix. ▪ Alta-A Plus has undergone many enhancements; program names have been modified slightly, and we are introducing a new program “DSCR” which will be our most competitively priced DSCR program for highly qualified investors. <p>PROGRAM NAMES – Some Programs have slight name updates as follows:</p> <ul style="list-style-type: none"> ○ Alt-A Plus remains the same ○ Alt-A formerly known Alt-A now has two (2) Matrices: <ul style="list-style-type: none"> ▪ Delegated Correspondent Channel (<i>Allows Co-ops and Manufactured Housing. Must use TPO’s Closing Plan Codes.</i>) ▪ Non-Delegated Correspondent & Wholesale/Broker Channel ○ ITIN (NEW Standalone Matrix) ○ Super Jumbo remains the same ○ 2nd Lien remains the same ○ DSCR (NEW PROGRAM – Best Priced DSCR) <ul style="list-style-type: none"> - DSCR (1-4 Units) remains the same ○ DSCR 5-10 Units Residential & 2-8 Mixed Use is now DSCR Multi & Mixed ○ Foreign National remains the same for Full Doc, Asset Utilization and DSCR 1-4 Units. For Multi Family and Mixed, please refer to the DSCR Multi & Mixed Program matrix. <p>PPROGRAM MATRICES – Updated as follows:</p> <ul style="list-style-type: none"> • Geographic Restrictions: Effective 1/20/2025 any new locks in the State of Maryland for the following are temporarily ineligible: <ul style="list-style-type: none"> ○ Programs: <ul style="list-style-type: none"> ▪ ITIN ▪ 2nd Liens ▪ Multi & Mixed Use ▪ DSCR: for loans > 80% LTV ○ 2:1 Buydowns: across all applicable programs <ul style="list-style-type: none"> ▪ Alt-A, ITIN and DSCR. ○ Condotels: across all applicable programs: <ul style="list-style-type: none"> ▪ Alt-A, DSCR and Foreign National. ○ Loans locked as of Friday 1/17/2025 in the pipeline are not subject to the restrictions above. ○ Refer to the Program Matrices for hard rules and eligibility. • ALT-A PLUS: <ul style="list-style-type: none"> ○ Matrix: Matrices have been broken down by Occupancy.

	<ul style="list-style-type: none"> ○ Credit Score Requirements: the qualifying score has been changed to the highest income earner's qualifying score; the highest middle score of 3 scores will be used to qualify. ○ Credit/Housing Events: added that borrowers with credit/housing events 48 months in the past must qualify a max DTI of 43% ○ Products: <ul style="list-style-type: none"> ▪ Deactivated the 20 Year Fixed Rate ▪ Added 5/6 and 7/6 SOFR ARMs Fully Amortizing ○ I/O: Added Min 700 FICO and Max 75% LTV; and FTHB are ineligible. ○ Max Loan Amount: has been reduced to \$3.0M ○ DTI: When DTI is > 43%>= 740 FICO is required. ○ Occupancy: added Investment Properties (1-4 Units) ○ Max Cash-Out: Changed from \$1,000,000 to: <ul style="list-style-type: none"> ▪ <=70 LTV: Unlimited ▪ >70 LTV: \$500,000 ○ 2-1 Buydown: <ul style="list-style-type: none"> ▪ Removed – Buydowns not permitted. ○ Eligible Borrowers: <ul style="list-style-type: none"> ▪ Non-Permanent Resident Aliens added Max 75% LTV ▪ Non-Occupant Co-Borrowers: added eligibility for r for OO only, max 43% DTI, cash-out is not permitted. ○ Property Type: <ul style="list-style-type: none"> ▪ Warrantable Condo: reduced the max LTV from 80% to 75%. ▪ Rural Properties for Primary use only allowed to a max of 70% LTV (Per Guides). Cash-out is not permitted. ○ Declining Markets: requires a 5% LTV reduction from all matrix LTVs which is different than Alt-A. ○ First Time Homebuyers: added Max DTI 43% and I/O loans not permitted. • Alt-A – Updated Property Type eligibility as follows: <ul style="list-style-type: none"> ○ Max DTI 55%: clarified that minimum residual income requirement for this option is \$3,500 and it is not available with Buydowns or 40-Yr terms. ○ 2-1 Buydown: <ul style="list-style-type: none"> ▪ Effective 1/20/2025 Buydown are temporarily ineligible in the State of Maryland. ▪ Clarified the max DTI is 50%. ○ P&L with 2 months Bank Statements: <ul style="list-style-type: none"> ▪ Added Max 80% LTV; and removed > 85% to \$1.5M with 760 FICO. ○ Warrantable Condo Requirements: clarified the max LTVs based on Project Review Type and Occupancy: Max 85% for OO can be used with a Full Review; and 75% with a Limited Review in Florida. Refer to the Matrix for all LTV Limits. ○ Co-ops: Eligible for the Delegated Correspondent Channel only, as follows: <ul style="list-style-type: none"> ▪ Co-op Project approval file must contain evidence regarding the project's compliance with Section 216. ▪ Must meet FNMA B4-2.3-02, Co-op Project Eligibility with the exception of the following overlays: <ul style="list-style-type: none"> ❖ Warrantable Co-ops in the New York City 5 Boroughs only: Bronx, Brooklyn, Manhattan, Queens, and Staten Island. ❖ Eligible Programs: Alt-A including Express (DU) and Super Jumbo. ❖ Max 80% LTV ❖ Primary, Second Home, and Investment Property allowed. ❖ Purchase and Rate/Term Refinance only. ❖ Subordinate Financing is not permitted. ❖ Borrower Eligibility: U.S. Citizens, Permanent Resident Alien, and Non-Permanent Resident Alien; ITIN are not permitted. ❖ Refer to Guidelines for LTV calculation and documentation requirements for co-ops. ❖ Delegated Correspondents must use their own Closing Plan Codes. ○ Manufactured Housing: Eligible for the Delegated Correspondents Channel only, as follows: <ul style="list-style-type: none"> ▪ Width: Minimum 20' wide (Double-wide) with a minimum 750+ sq ft. ▪ Age: Home may not be older than 5 years ▪ Property Requirements: must meet "HUD Code" including to be built on a perm chassis, installed on a perm foundation, and title as real estate, home may not be older than 5 years; or if in need of repairs (as per the appraisal) of more than 5% of the property value. Refer to the Guidelines for additional requirements. ▪ Program eligibility: ALT-A only. ▪ Eligible Transactions: <ul style="list-style-type: none"> ❖ Occupancy: Primary and Second Home only ❖ Loan Purpose: Cash-Out is not permitted. ❖ Min FICO: 680 ❖ Max LTV: 80%
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- May not be older than 5 years old or if in need of repairs (as per the appraisal) of more than 5% of the property value.
 - NOO, I/O loans and ITIN borrowers are not permitted.
 - ITIN – Updated as follows:
 - Alt Doc: 12- or 24- months CPA /Tax Prep/EA P&L and 2 months bank statement are no longer permitted.
 - Super Jumbo – Updated as follows:
 - Added a section to clarify that Buydowns are not permitted.
 - 2nd Lien – Matrix redesigned and updated as follows:
 - 24 Months CPA/EA Prepared P&L Statement: added Tax Preparer to list of eligible preparers.
 - DSCR– NEW PROGRAM ROLL-OUT
 - Program Highlights:
 - DSCR Ratio: Min 1.00, and first time investor 1.25
 - Max LTV: 80%
 - Loan Amounts: Min \$150,000 – Max \$2,000,000
 - 2-1 Buydown: Not permitted.
 - Housing History: 0x30x12
 - Max Cash-out:
 - > 50% LTV: Max \$1.0M
 - <= 50% LTV: Unlimited
 - >= 6 months seasoning required and not permitted in Declining Markets
 - Ineligible Borrowers: Non-Permanent Resident Alien, ITIN, Foreign National
 - Reserves: <= \$500K = 3 months or > \$500K = 6 months
 - DSCR (1-4 Units) – Updated as follows:
 - DSCR Calculation Methods: Removed Option 3 – AirDNA “Revenue Calculator/Property Earning Potential.” AirDNA may only be used to determine the Vacancy Rate when the Appraiser does not address the seasonality in Option 2 of the DSCR Calculation Methods.
 - DSCR Multi & Mixed – Matrix redesigned and updated as follows:
 - Products: Added the 5/6 and 7/6 SOFR ARMs, 30-Yr Term Fully Amortizing
 - Foreign National – Updated as follows:
 - DSCR Calculation Methods: Removed Option 3 – AirDNA “Revenue Calculator/Property Earning Potential.” AirDNA may only be used to determine the Vacancy Rate when the Appraiser does not address the seasonality in Option 2 of the DSCR Calculation Methods.
 - Prepayment Penalty Matrix (PPP Matrix) – Removed
 - Formerly our Matrices pointed to a document within the combine Matrices called the PPP Matrix. Please note that PPP information is now found in the “Business Purpose Licensing & PPP Restrictions” PDF in the Documents Tab in the Client Portal.
- GUIDELINES – Updated as follows:
- 2-1 Temporary Buydown – Updated as follows:
 - Please Refer to the Program Matrices for eligibility and temporary ineligibility in the State of Maryland.
 - State Restrictions – Updated as follows:
 - Clarified that Condotels are exempt from short term rental 3rd party validation of compliance with local governing laws.
 - Exceptions – Updated as follows:
 - Added DSCR to ineligible Programs for exceptions and updated program names.
 - Top Compensating factors: updated DSCR Ratio to 1.15 or greater
 - Waiving Escrows – Section is now Escrow Waivers.
 - Investment Property (Business Purpose) – Updated as follows:
 - The requirements for Retail/Wholesale and Correspondent has been reworded for clarity.
 - Cash-Out Refinance – Eligibility Requirements – Clarified as follows:
 - A signed Borrower Certification of Business Purpose, disclosing the purpose of cash out, is required for Business Purpose loans.
 - Flip Transactions – Updated as follows:
 - For clarity, removed a bullet referencing true construction loans.
 - Non-Arm’s Length Transactions – Updated as follows:
 - Removed the requirement to provide the payment history for the seller’s mortgage on the subject property.
 - Added a requirement to Family sales: a Payoff statement for the subject property may not show any signs that the transaction is a bailout.
 - New York CEMA – Clarified as follows:
 - Correspondents are responsible for utilizing attorneys with expertise in reviewing and preparing CEMA documents.
 - Non-Permanent Resident Aliens – Updated as follows:
 - Ineligible for DSCR Supreme
 - Added L-1 visa type as acceptable for all Programs.



- Non-Occupant Co-Borrowers – Updated as follows:
 - Added a link to Alt-A Plus – Borrower Eligibility for newly added eligibility and restrictions.
- Vesting and Ownership – Fee Simple Ownership – **Clarified** as follows:
 - Tenants in Common with unequal ownership are not eligible for Alt-A PLUS.
 - Added Irrevocable Trust to ineligible forms of vesting.
 - Entity Vesting – Clarified as follows:
 - Tax Identification Number (EIN):
 - ❖ Single member may use the EIN or the guarantor’s social security number
 - ❖ Multiple member LLC the EIN is required.
- Multiple Financed Properties and SOLVE Mortgage Exposure – Updated as follows:
 - The maximum exposure to a single borrower on the Investor DSCR No Ratio option is \$7.5M in unpaid principal balance or ten properties.
- Ineligible Borrowers – Clarified as follows:
 - Irrevocable Trust are ineligible.
- Tradelines Specific to Housing History – Updated as follows:
 - Manufactured housing/mobile home loans indicated as repossessions, collections, or charge-offs are considered foreclosures.
 - Loan Modification / Restructured Mortgage loans: 4 years seasoning after the event date to the closing date.
 - Restructured Mortgage loans that resulted in any type of partial forgiveness, principal curtailment, or conversion are ineligible.
- Alt-A – Express (DU) – Clarified as follows:
 - If Express (DU) is used all mortgage and rental payments must be paid and agreed for the last 12 months.
- No Housing History or Less than 12 Months Verified (Including Rent-Free) – Added a section to address Alt-A Plus Rent-Free requirements.
- Short Term Rentals – Clarified as follows:
 - STRs are not permitted for Investor DSCR No Ratio.
- Eligible Assets – Updated as follows:
 - The qualified assets and reserves may be deposited in financial institution(s) outside of the United States subject to State/LTV restrictions. The value of the asset must be converted to US dollars using the current exchange rate.)
- Ratios and Qualifying – Debt to Income Ratios (DTI) – Updated as follows:
 - Must meet residual income requirements for 2nd homes and Investment Properties (Refer to the Residual Income section).
- Asset Documentation – Reworded the Large Deposits bullet as underlined:
 - Large deposits on purchase transactions when personal accounts are used must be documented. Large deposits are not required to be sourced when the deposit is not used in the income calculation for business accounts or refinance or DSCR. Note that when using Alt Doc for Income Purposes, large deposits must be documented in accordance with the Bank Statement Analysis Requirements.
- Secondary/Subordinate Financing – Reworded for clarification as follows:
 - Purchase and refinance transactions with new simultaneous 2nd lien are eligible when HCLTV does not exceed max LTV/HCLTV stated in the most restrictive of the 1st or 2nd lien product matrices.
 - Refinance transactions with existing 2nd Lien may be re-subordinated. The HCLTV may not exceed 90% on O/O and 85% on a 2nd home, The 2nd lien must be institutional. HELOC line limits may be paid down to meet HCLTV caps. Lines reduced or balances paid down must be fully documented including source of funds.
 - Borrowers who currently have a secondary lien with an interest only payment, must be qualified with the fully amortizing payment.
- Minimum Property Standards – Updated as follows:
 - For Condotel, a minimum unit square footage is not required; however, units must contain a full-size kitchen and kitchen appliances to be eligible for financing. In addition, similarly sized comparable from competing projects must be provided to demonstrate market acceptance for units with < 400 square feet.
 - For single family, 2+, condominiums, and DSCR 5-10 Residential or 2-8 Mixed Use, must contain a minimum of 400 square feet per unit; except for Manufactured Housing which requires a minimum of 750 sq ft.
- Eligible Property Types – Updated as follows:
 - Co-operative Units – eligible for Delegated Correspondent Only via the Alt-A Program (Refer to the Matrix and Co-operatives Section for specific Requirements).
 - Manufactured Housing – eligible for Delegated Correspondent Only via the Alt-A (Refer to the Matrix for specific requirements)
 - Churches – Added to the ineligible property types.
- Property Considerations – Accessory Units – Updated as follows:
 - Clarified that 2 comparables are required with similar additional ADUs.
 - If all Appraisal consideration listed in this Guide section are not met, appraisal/appraiser must give the accessory unit zero value.
- Leasehold Appraisal Requirements – **Clarified** as follows:
 - Community Land Trusts not eligible for Alt-A Plus.

	<ul style="list-style-type: none"> Condominiums –Updated as follows: <ul style="list-style-type: none"> General Condo Requirements: <ul style="list-style-type: none"> Clarified that SOLVE Mortgage exposure in condo projects applies to all projects not just non-warrantable projects. The priority of common expense assessments applies (added a link to this section). The standard condominium project insurance requirements apply (added a link to this section). Warrantable Condo Requirements: Clarified to distinguish between Full & Limited Review LTVs as shown below: <ul style="list-style-type: none"> Condos – Warrantable / Non-Warrantable <ul style="list-style-type: none"> Purchase & Rate/Term: Max 85% LTV Condos Cash-out: 75% LTV Limited Review Established Condos Outside of Florida (Warrantable) LTV/CLTV Limits: <ul style="list-style-type: none"> Primary 85%, SH 75%; and NOO 75% Limited Review Established Condos in Florida (Warrantable) LTV/CLTV Limits: <ul style="list-style-type: none"> Primary 75%/90%; SH 70%/75%; and NOO: 70%/75% Non-Warrantable Condo Requirements: Reworded the Single entity ownership to clarify when exceptions may be considered. Co-operatives (Co-op) – Added a new section to the guide which includes: <ul style="list-style-type: none"> Co-op Eligibility Requirements (Eligible via the Alt-A Program only, for the Delegated Correspondent Channel only) Co-op Project Requirements Calculating the LTV Ratio for Co-op Share loans Co-op Loans Requirements Documentation (In addition to standard loan delivery documentation) Delegated Correspondent Responsibilities. Manufactured Housing – Added a new section to the Guide (Eligible via the Alt-A Program only, for the Delegated Correspondent Channel only) DSCR and DSCR Programs – Updated as follows: <ul style="list-style-type: none"> The DSCR (1-4 Units) section is now shared with the new DSCR Program. Overlays are addressed in the related Program Matrices and in this section of the Guide. Required DSCR Ratios – Updated to distinguish the DSCR Ratio requirements for DSCR and DSCR DSCR Program – DSCR Calculation and Minimum DSCR (header renamed) DSCR Program – DSCR Calculation Methods and Minimum DSCR Added a header for DSCR requirements. DSCR Multi & Mixed (5-10 Units Residential and 2-8 Units Mixed Use) – Updated as follows: <ul style="list-style-type: none"> Prohibited Property Use: Adult Activities (including bars where food is not served and/or any establishment where one must be an Adult to enter).
11/1/2024	<ul style="list-style-type: none"> Rate and Term Refinance: <ul style="list-style-type: none"> Updated the guide to allow for the payoff of subordinate liens that are at least 6 months seasoned as of the note date. Clarified that borrowers may pay off debt through the transaction up to the rate/term limits. Cash Out Limits: <ul style="list-style-type: none"> Select Prime: updated max cash out when the LTV > 60% from \$750K to \$1,000,000 DSCR 1-4 Unit: updated max cash out when the LTV > 60% from \$500K to \$1,000,000 Foreign National: updated max cash out when the LTV > 55% to \$1,000,000 Borrower Eligibility: <ul style="list-style-type: none"> The entire section has been rewritten to provide more clarity around acceptable borrower eligibility. OFAC Search: <ul style="list-style-type: none"> Clarified this applies only to Foreign National transactions. Inter Vivos Trusts: <ul style="list-style-type: none"> Clarified that closing documents must be executed in accordance with FNMA signature requirements for when loans are closing in a trust. Entity Vesting: <ul style="list-style-type: none"> Clarified that the Certificate of Good Standing must be for the current year; the 90-day expiration date requirement has been removed. ITIN: <ul style="list-style-type: none"> Credit Score Requirements: <ul style="list-style-type: none"> One credit score is permitted provided the credit report has sufficient tradeline activity, defined as:



	<ul style="list-style-type: none"> • 3 trades reporting for 12+ months, OR • 2 trades reporting for 24+ months, OR • 24 month mortgage history. ○ Removed the restriction from permitting ITIN loans on TX A6 transactions <ul style="list-style-type: none"> • Non-Occupant Co-borrower: <ul style="list-style-type: none"> ○ Permitted on Foreign National loans when the non-occupant is a US Citizen who will be taking title. • Credit Refresh <ul style="list-style-type: none"> ○ Credit refresh reports must be within 30 days of closing. • Mortgage/Housing history: <ul style="list-style-type: none"> ○ No Housing or Less than 12 months housing history: <ul style="list-style-type: none"> ▪ Removed the restriction that only primary and second homes are permitted ○ Clarified that when paying a private party, one of the following is required: <ul style="list-style-type: none"> ▪ VOM/VOR along with the most recent 6 months of cancelled checks or bank statements, OR ▪ A copy of the lease/note along with 12 months of cancelled checks. ○ Clarified that charged off second or junior liens are considered housing events, and are subject to foreclosure seasoning requirements, based on the charge-off date. • Full Documentation Income Requirements: <ul style="list-style-type: none"> ○ Electronic Verification of Employment with Income is acceptable in lieu of W2s ○ Removed three year continuance requirement for sources where obtaining that information is not likely, such as foster care and disability income. In those instances, there must not be any evidence that the income is not likely to continue. ○ Part Time/Second Job requirements now align with FNMA. A one year history is permitted with strong offsetting factors to offset the shorter income history. • Alt Doc: NSF Handling: <ul style="list-style-type: none"> ○ Updated the guide to clarify how NSFs are handled when a banking institution provided overdraft protection as part of their standard policy. • Written Verification of Employment Only Program: <ul style="list-style-type: none"> ○ Added a maximum loan amount of \$1,500,000 restriction • Debt to Income Ratio (DTI): <ul style="list-style-type: none"> ○ Added a maximum 55% DTI to Alt-A with the following requirements: <ul style="list-style-type: none"> ▪ Minimum FICO of 680 ▪ 0x30x12 ▪ 48 months since a housing event ▪ Minimum \$3,500/m in residual ▪ Maximum loan amount of \$2.5m ▪ Not permitted with a 40-year term • Gifts / Minimum Borrower Contribution: <ul style="list-style-type: none"> ○ Removed the Minimum Borrower Contribution section since the requirements are covered under the Gift Funds section ○ For owner occupied and second homes, 100% gift funds are permitted up to an 80% LTV • Assets: Business Access Letter: <ul style="list-style-type: none"> ○ When full access letter is provided from other business owners, 100% of the assets may be used. • Appraisal Review Process Update: <ul style="list-style-type: none"> ○ Clarified that when the value of the desk review is greater than 10% less than the appraised value, a field review or second full appraisal must be obtained, and the lower of the two values must be used for qualifying. • Declining Markets: <ul style="list-style-type: none"> ○ No reduction in LTV is required when the LTV is 65% or less. • Condominiums: <ul style="list-style-type: none"> ○ General reorganization of the condo guidelines and provided clarity in several sections.
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	<ul style="list-style-type: none"> ○ Single entity ownership increased to 49%. Exceptions for a higher amount can be considered. The following information is required for consideration: <ul style="list-style-type: none"> ▪ Is the Single Entity the developer? REIT? Private Investor? Sponsor? ▪ Is the Single Entity current on all HOA dues payments? If not, provide the delinquency info. ▪ Does the Single Entity intend to sell some or all of the single entity owned units? If yes, provide the marketing strategy. ▪ Is the subject unit one of the single entity owned units? ▪ What is the current occupancy type of the subject unit? • DSCR Housing History: <ul style="list-style-type: none"> ○ Clarified that all mortgages reporting to the credit report are considered when determining housing history eligibility. ○ Expanded on when rent-free circumstances are permitted. • DSCR 1-4 Unit DSCR Calculation Requirements updated as follows: <ul style="list-style-type: none"> ○ Purchases: <ul style="list-style-type: none"> ▪ If using a lease amount that is higher than the 1007/1025 market rents, 2 months proof of receipt is required and the lease must be within 120% of the market rents. If the lease is > 120% above market, the rents are capped at 120%. ○ Refinances: <ul style="list-style-type: none"> ▪ If using a lease amount that is higher than the 1007/1025 market rents, 2 months proof of receipt is required and the lease must be within 120% of the market rents. If the lease is > 120% above market, the rents are capped at 120%. ▪ If using a higher estimated market rent from the 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease by more than 120%, the estimated market rent is capped at 120%. • Mixed Use / 5-10 Unit DSCR: <ul style="list-style-type: none"> ○ Updated to allow first time investors for 5-10 unit residential properties only with a 0x30x24 housing history or when the primary is owned free and clear. ○ Clarified that rural properties are not permitted
9/9/2024	<ul style="list-style-type: none"> • Prepayment Penalties Matrix: <ul style="list-style-type: none"> ○ KS: PPP no longer permitted. • Alt-A Plus: <ul style="list-style-type: none"> ○ Removed the limitation on a rate and term preventing paying off debt up to the maximum amount of cash back permitted. • Purchases: <ul style="list-style-type: none"> ○ Clarified that assigned purchase contracts are not permitted with the exception of assignments of individuals to an entity in which they have ownership of. • Flips: <ul style="list-style-type: none"> ○ Clarified the transactions that are exempt from the Flipping Rule. • Entity Vesting: <ul style="list-style-type: none"> ○ Clarified that LLC documentation must be received for each LLC when entities are layered • Trust Certs: <ul style="list-style-type: none"> ○ Clarified that trust certs are allowed when permitted by the state. • Credit – Collections and Charge-offs: <ul style="list-style-type: none"> ○ Collections and charge-offs greater than 24 months no longer need to be considered on all programs except No Ratio • Self-Employment Income – full doc: <ul style="list-style-type: none"> ○ Clarified how the income is analyzed for full doc borrowers • Restricted Stock Units (RSUs) – Updated guidelines to align with FNMA • 1-year Income Documentation: <ul style="list-style-type: none"> ○ Removed the restriction to not allow supplemental income from Rental Income, Alimony, Child Support, Pension or Retirement. • Assets – Clarified that Custodial accounts, such as UTMA's are not an eligible asset source. • Asset Utilization: <ul style="list-style-type: none"> ○ Updated guide so that when asset utilization is the sole source of income, reserves are not required. When asset utilization is being used to supplement the borrower's income, traditional reserve requirements must be met. • ITIN: <ul style="list-style-type: none"> ○ Credit Events - Removed the overlays on the matrix; follow Alt-A ○ Gift Donor Eligibility – Follow FNMA



- Reserves – Clarified as follows:
 - ≤ \$500,000 = 3 months PITIA
 - > \$500,000 to \$1,500,000 = 6 months PITIA
 - >\$1,500,000 to \$2,500,000 = 9 months PITIA
 - Reserves not required when using Asset Utilization solely to qualify
- Appraisal Requirements –
 - Clarified that a copy of the appraiser’s E&O policy, effect as of the date of the appraisal, must be included within the appraisal report unless confirmation is in file from the AMC that a copy of the E&O policy is on file with them.
- Solar Panels – Updated as follows:
 - The entire section has been reworded to add clarity as to when solar panels are eligible based on ownership, liens, PACE (HERO Loans) repayments and other circumstances.
- Condos:
 - Removed the minimum square footage requirement, however property must have a full kitchen and appliances to be eligible for financing. In addition, when the unit is < 400 square feet, similarly sized comparables from competing projects must be provided to determine market acceptance.
 - Clarified that the HOA delinquency review includes delinquencies on special assessments.
 - Updated guide to require a letter from the engineer indicating the project is safe for occupancy when an inspection report indicates ongoing repairs and it’s not clear that those repairs are not of a critical nature.
 - Clarified established project criteria when developer has retained units in the project.
 - Updated the Established Project requirements to 30% of the project being owner occupied to provide consistency surrounding this requirement.
 - Removed requirement for documenting when HOA will take control on a new project.
 - Updated the requirement for evidence escrow funds are deposited for recreational facilities on a new project.
- Condotel:
 - Are now available for second homes as follows:
 - 700 minimum score: Purchase and Rate and Term Refi to 75%; Cash out to 65%
 - 680 minimum score: Purchase and Rate and Term Refi to 70%; Cash out to 60%
- Disaster Areas Policy – Updated as follows:
 - **Property Appraised Prior to Disaster Incident:**
 - Added a requirement to the Exterior Inspection that must certify the condition of the subject property and identifies any impact to habitability or marketability to also name the disaster.
 - Clarified that if the property was originally appraised subject to, that the same 1004D can be used to verify all subject to requirements have been met and that the property was not impacted by the disaster, provided the appraiser calls this out specifically on the 1004D.
 - **Disaster Incident Occurs After Closing, Prior to Funding or Purchase** – updated as follows:
 - Clear Capital Post Disaster Inspection Report (PDI or equivalent) that names the disaster that required the inspection; or
 - Appraisal Update and/or Completion Report (FNMA Form 1004D) that names the disaster that required the report
- **Property Insurance** – Updated as follows:
 - Outlined the specific perils that are required to be covered under the extended coverage of the hazard insurance policy.
- DSCR 5-10 Residential and 2-8 Units Mixed Use:
 - **Property Rental Income:** clarified that copies of lease agreements are not required on purchase transactions.
 - Removed requirement for a minimum debt yield calculation for loan amounts > \$2m.
- Surveys:
 - Title should include either a survey or an ALTA 9 endorsement. When neither are customary in the jurisdiction, no survey exception can exist on title.

