



LENDING SUMMARY

CONSTELLATION PROGRAM

DEBT SERVICE COVERAGE RATIO (DSCR)

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1.0 PRODUCT DESCRIPTION

The STG Mortgage Constellation Program is designed for strong credit borrowers seeking flexible financing options.

The Constellation DSCR program is designed for borrowers who are experienced real estate investors seeking to purchase or refinance an investment property that is owned for business purposes. The borrower is qualified based upon the cash flow of the subject property.

Diligence must be done to ensure that the borrower will not be occupying the subject property.

Constellation DSCR program loans are exempt from the ATR, QM and HPML requirements.

2.0 PREPAYMENT PENALTY

- Prepayment Penalty Options
 - No prepayment penalty
 - Three-, two- or one-year prepayment penalties permitted
 - Six months interest on excess of 20% of the original principal balance
- Prepayment penalties not permitted in the following states:
 - AK, AL, DC, KS, MD, ME, MN, ND, NJ, NM, OH, RI, VT
- Prepayment penalties permitted in the following states with the restrictions noted:

STG Mortgage Standard Restrictions (All Star Series) States With Prepayment Penalty Restrictions		
State	PPP Allowed When:	No PPP Allowed When:
ID	No Restriction	Refinance transactions with the same mortgage company that funded the underlying mortgage as evidenced by the note are ineligible (example: STG Mortgage to STG Mortgage transactions)
IL	All counties except Cook: Loan must be below 8% APR. Cook County: Loan must be below 8% APR and loan amount must be > \$250K.	Any loan with Interest rate above 8%, and any loan in Cook County where loan amount is < \$250k.
IN	Fixed Rate Loans	ARM Loans
MI	2-4 unit properties only	No Restriction
MS	Interest Rate < 8%	Interest Rate ≥ 8%
NE	Max 2 Year prepayment penalty	Refinance transactions with the same mortgage company that funded the underlying mortgage as evidenced by the note are ineligible (example: STG Mortgage to STG Mortgage transactions)
OK	Interest Rate ≤ 8%, Max 2 Year prepayment penalty	Interest Rate > 8%
PA	1-2 Unit with Loan Amount > \$329,411, or any 3-4 Unit	1-2 Unit with Loan Amount ≤ \$329,411
SC	Loan amount > \$765,000	Loan amount ≤ \$765,000
TX	Purchase, or Non-Homestead Refinances	Homestead Refinances



- All remaining states are eligible for prepayment penalties.
- All loans with a prepayment penalty must pass Mavent and/or Compliance Ease prepayment penalty tests.
- Prepayment Penalty Rider is required for all loans closing with a prepayment penalty.

3.0 REQUIRED DISCLOSURES

Borrower required forms prior to closing (underwriter to verify):

- [Business Purpose and Occupancy Affidavit](#) signed by all borrowers.
- [Personal Guaranty](#) document required when the LLC appears on the Note, regardless of whether the borrower is signing the Note.

4.0 MAXIMUM CASH OUT

Cash-out Refinances

- LTV ≤ 50%: \$1,000,000
- LTV > 50% and ≤ 60%: \$750,000
- LTV > 60%: \$500,000

Proceeds received from a cash out refinance must be used for a business purpose. The payoff of other properties or debts is not permitted on the CD. The only liabilities which may be paid from transaction proceeds must be mortgages against the subject property. The payoff of IRS tax debts is not permitted.

Maximum cash out amount is:

- Determined by the amount of cash out reflected on the Final Closing Disclosure (after any debt payoff).
- Cumulative for all properties being simultaneously financed with STG Mortgage, not each individual loan.
- When multiple loans are in process (simultaneous transactions), the loan with the highest LTV will determine the maximum cash out limit that will apply to all simultaneous transactions.
- For cash out refinance transactions, the amount of cash out proceeds from any STG Mortgage Constellation Program cash out refinance loans within 6 months of the note date, including simultaneous loans in process, must be included in the cumulative cash out limitation.

Rate/Term Refinances

- Cash out amount on a rate and term refinance not to exceed the lesser of \$2,000 or 2% of the loan amount.

5.0 QUALIFYING RATE & PAYMENT

- Fixed Rate: Note rate.
- Interest-Only Fixed Rate: Interest only payment for the initial 10-year interest only period.



6.0 DEBT SERVICE COVERAGE RATIO (DSCR)

- Fully Amortized Products (all non-IO): The DSCR is calculated by taking 100% of the gross rents divided by the full payment of the subject property (principal, interest, taxes, insurance, and association fees (PITIA)).
- Interest Only Products: The DSCR is calculated by taking 100% of the gross rents divided by the Interest Only payment of the subject property plus taxes, insurance, and association fees (ITIA).

Minimum Debt Service Coverage Ratio Requirement

- Purchase and Rate & Term Refinance = 0.50
- Cash-Out Refinance = 1.0

7.0 GROSS RENT CALCULATION

Purchase and Delayed Financing using Long-Term Rental Income

If subject property is tenant occupied at the first payment due date:

- The lesser of the market rent from the Single-Family Comparable Rent Schedule (Form 1007/1000) / Small Residential Income Property Appraisal Report (1025/72) or the current (active) lease agreement will be used to determine the monthly rent.

If subject property is vacant at the time of first payment due:

- The market rent from the Single-Family Comparable Rent Schedule (Form 1007/1000) / Small Residential Income Property Appraisal Report (1025/72) will be used to determine the monthly rent.

Purchase and Delayed Financing using Short-Term Rental Income

- Maximum LTV from matrix must be reduced by 5%
- Obtain the AirDNA Property Earning Potential report for the subject property.
 - If the AirDNA Market/Submarket Score is ≥ 60 , take the Projected Revenue and divide by 12 months to determine the monthly rent.
 - If the AirDNA Market/Submarket Score is < 60 :
 - Obtain the Single-Family Comparable Rent Schedule (Form 1007/1000).
 - If the 1007/1000 is being used as qualifying short-term income, the appraiser must provide commentary on how the market rent was calculated, inclusive of daily/weekly rate and the appropriate occupancy rate for the subject property market; and

Notes:

- If the transaction is a payoff of a construction to permanent loan, the subject transaction can apply the purchase guidelines if the Certificate of Occupancy was issued within ninety (90) calendar days of the application date and the appraisal supports the subject property as new construction.
- If the subject property is a condo, provide evidence that the property is eligible for short term rentals (condo association letter, etc.)

Refinance using Long-Term Rental Income

- The most recent lease agreement and Single-Family Comparable Rent Schedule (Form 1007/1000) is required to determine the monthly rent. An expired lease agreement that states that the lease becomes a month-to-month lease is permitted with proof of most recent month's rental payment to the borrower.
- If the lease agreement reflects market rents greater than those shown on Single Family Comparable Rent Schedule (Form 1007/1000);
 - If the lease is within a 10% variance from the Single-Family Comparable Rent Schedule (Form 1007/1000) use the rental income amount on the lease.



- If the lease is > 10% variance, use the rental income shown on the Single-Family Comparable Rent Schedule (Form 1007/1000).
- **Vacant Properties:** If there is no active lease agreement in place, utilize 75% of the market rent shown on the Single-Family Comparable Rent Schedule (Form 1007/1000);
- Provide letter of explanation why the subject property is not currently rented. The reason for not having an active lease in place must make sense and be supported by file evidence, i.e., the lease just ended, and a new tenant/lease has not been executed, or the home was recently under renovation and is now ready to be leased.

Refinance using Short Term Rental Income (Airbnb, VRBO, etc.)

- Maximum LTV from matrix must be reduced by 5%

Obtain the following documentation:

- AirDNA Property Earning Potential report for the subject property.
- Single-Family Comparable Rent Schedule (Form 1007/1000).
- A 12-month yearly income statement of the property being in service from a third party, (i.e., Airbnb or VRBO), including a month-to-month rental history; and

After calculating the monthly income from each of the sources above, use the lowest monthly income calculation in qualifying.

Note: If the subject property is a condo, provide evidence that the property is eligible for short term rentals (condo association letter, etc.)

8.0 INVESTOR EXPERIENCE

First-Time Homebuyer

Loans in which all borrowers are First-Time Homebuyers (FTHB) are not permitted. A FTHB is defined as a person who has not held title to U.S. real estate in the most recent 3 years.

Experienced Investor

At least one borrower has had investment property ownership and landlord experience managing residential or commercial real estate for a minimum of 12 consecutive months within the most recent three years from application date.

First-Time Investor

A First-Time investor with less than 12 months of landlord experience within the most recent three years prior to the application date. First-Time Investor Restrictions:

- MIN DSCR of 1.0
- MAX LTV/CLTV 80%
- Short-Term Rental Income not permitted

9.0 HOUSING PAYMENT HISTORY

- 0X30X12 required.
- Must be provided for all mortgages and rental payments within the 12 months prior to closing.
- 120 day late is considered a Foreclosure.
- Rent-free or less than a full 12-month housing history not permitted (free & clear properties may use proof of on time tax & insurance as housing history).



10.0 RESERVES

Reserves are based upon the number of months of PITIA for the subject property including any subordinate financing.

Loan Amount	Reserves Required
≤ \$1.0MM	6 Months
> \$1.0MM	9 Months

The maximum amount of required reserves for any transaction is 15 months.

Cash proceeds from the transaction may be used for reserves.

Reserve Relief Option

Rate and Term Refinance transactions do not require reserves if the following are met:

- Subject property housing payment is decreasing.
- Loan amount is < \$650,000.
- Borrower does not have a prior bankruptcy, foreclosure, short-sale, DIL, pre-foreclosure, or mortgage charge-off in most recent 7 years.
- Mortgage history is 0x30x24 on all mortgages (or since inception if owned between 12-24 months):
 - Must have a full 12-month payment history making current housing payment.

11.0 EMPLOYMENT/INCOME

- Income used to qualify is based on cash flow from the property owned using a DSCR calculation.
- Borrower's employment and income not required and must not be disclosed on the application.
- Additional sources of income are not eligible to be used for qualifying purposes.
- Form 4506-C should not be in file.

12.0 MULTIPLE FINANCED PROPERTIES

- Borrower may own unlimited financed properties.
- Borrower limited to 10 loans in the STG Mortgage Constellation Program not to exceed \$5,000,000 in total financing.
- 1003 (URLA) should contain a complete schedule of all real estate owned, indicating financed and free and clear properties and associated mortgages.
- New multiple loans must be underwritten simultaneously.

Borrower Concentration within a Project

- For projects with > 10 units, borrower may own a maximum 20% of properties in any PUD or condo project with STG Mortgage Constellation Program financing.
- For projects ≤ 10 total units, maximum one unit.
- Company financing limited to a maximum concentration of 10% in any Florida condo project (per project not per borrower).
- All real estate owned, along with any associated lien(s) must be disclosed on the application.
 - No other liabilities are required to be on the 1003 (URLA).
- Properties owned free and clear are not included.



13.0 APPRAISALS

Appraisal Requirements

- ≤ \$2,000,000: One appraisal.
- A Single-Family Comparable Rent Schedule Form 1007/1000) is required.
- The re-use of an appraisal from a previous transaction is not permitted.

Secondary Valuation Requirement

- The following is required as a secondary valuation to the appraisal to support the value but is not used to determine the actual value:
 - Collateral Desktop Analysis (CDA) from Clear Capital.

If the secondary valuation returns a value that is "Indeterminate", "high risk" or lower than the appraised value by more than 10%, a second full appraisal must be provided.

When Two Appraisals are Required:

- Appraisals must be completed by two independent companies but can be from the same AMC.
- The LTV will be determined by the lower of the two appraised values as long as the lower of the 2 appraisals supports the value conclusion.
- Any inconsistencies between the two appraisal reports must be addressed and reconciled.
- If the two appraisals are completed "subject to," only one 1004D is required based on the appraisal being used to determine value.
- A secondary valuation is not required.

Transferred Appraisals

- Not permitted

14.0 DECLINING OR SOFT MARKETS

A market will be deemed "declining" if:

- Appraiser indicates in Neighborhood Section that market is declining.
- Appraiser indicates anywhere in comments that market is declining.
- CDA indicates market is declining.

MIN DSCR

Properties in declining markets require a minimum DSCR of 1.0.

MAXIMUM LTV

If the appraiser notes the market is soft or declining, a 5% reduction to the maximum LTV is required.



15.0 PROGRAM FORMS

15.1.1 Business Purpose & Occupancy Affidavit



BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT

Loan Number: Borrower(s): Property Address:

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

1. I have applied for this Loan and am seeking financing for the Property for business purposes only. I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
2. The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit. If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
3. Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding. In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
4. I understand that Lender originating the Loan in reliance upon this Affidavit. If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
5. I understand that the agreements and covenants contained herein shall survive the closing of the Loan.
6. I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by nonowner-occupied real property. I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 190 7. 1 et seq.) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

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

Initial(s):

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

Borrower(s) / Borrowing Entity Members:

Borrower(s) / Borrowing Entity Members:

NOTARY PUBLIC

Date:

Date:

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15.1.2 Personal Guarantee



PERSONAL GUARANTY AGREEMENT

In consideration of _____ having its principal place of business at _____ agreeing to lend the sum of (loan amount) to _____ (the Guarantor), does hereby unconditionally guarantee to _____ its successor or assignee, as their interest may appear (the "Mortgagee"), jointly and severally with other guarantors, the payment of the loan when due (at maturity, by acceleration or otherwise), and any and all attorney's fees, costs, damages and expenses suffered or incurred by _____ rising out of the making of said mortgage, in the amount of _____ and interest, plus attorney's fees, costs, damages and expenses, and any and all extensions and renewals thereof. The liability of the undersigned shall exist and continue to exist whether or not the signature or name of the undersigned appears on any evidence of indebtedness from the borrower to the Mortgagee. The undersigned hereby waives notice of the acceptance of this guaranty and of any demand for payment hereunder, presentment, demand, protest, dishonor, or default or notice thereof with respect to the above transaction. The undersigned agrees to be liable and pay for any deficiency if the note holder forecloses the mortgage securing the note pursuant to the terms of the mortgage and the proceeds received under a foreclosure proceeding, after deduction for expenses, are not sufficient to satisfy the indebtedness of the Borrower. No extension of time or forbearance on the part of the Mortgagee with respect to the mortgage or modification of the terms and provisions of the mortgage shall operate to release any of the Guarantor's obligations hereunder nor shall any delay on the part of the Mortgagee in exercising any of its options, powers or rights under the mortgage or hereunder or a partial or single exercise thereof constitute a waiver of any other rights hereunder. This guaranty shall be construed as an absolute, continuing and unlimited guaranty of payment without regard to the regularity, validity, or enforceability of any liability of and obligation of the Borrower hereby guaranteed; and the Mortgagee shall not be required to proceed first against the Borrower or any other person, firm or corporation or any collateral Security held by the Mortgagee to be deemed cumulative and the availing of one remedy or another not to be deemed an election of remedy.

Borrowing Entity:

By Guarantor:

Print Name:

Date:

(State of):

(Country of) ss:

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

Notary Public Signature:

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