



STG  **MORTGAGE**
The Foundation Of Trust

Lending Guidelines

Eclipse Products

04/10/2026

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1.0 PROGRAM OVERVIEW

Refer to the respective Program Matrix for the full eligibility guidelines. The information below is a representative summary of the different programs.

1.1 ECLIPSE NON-DSCR PROGRAM

- The non-DSCR (Full Doc, Asset Depletion, Asset Utilization and Bank Statement) Programs are for borrowers with no derogatory credit in the last 48 months and 0x30x12 housing history
- Borrowers can qualify with 1 or 2 year Full Documentation, 1 or 2 year Bank Statements (Business or Personal), Asset Depletion, Asset Utilization
- Interest-Only eligible

1.2 ECLIPSE DSCR PROGRAM

- The Eclipse DSCR Program is for professional investors with no derogatory credit in the last 48 months and 0x30x12 housing history seeking a business purpose, investment property loan
 - First-Time Investors are allowed provided that the DSCR is > 1.0, the Credit score is > 700 and there are no exceptions on the file
 - First-Time Investors MAY NOT be a First-Time Homebuyer
- Borrowers will qualify with property income (Debt Service Coverage Ratio)
- Debt Service Coverage Ratio = Gross Rent / PITIA (Amortizing loan) or Gross Rent / ITIA (Interest-Only)
- DSCR as low as 0.75
- No personal income to qualify
- Personal recourse required for all guarantors that meet the requirements referenced in [Borrower / Guarantor Eligibility Requirements](#). No additional Borrowers are allowed to join an entity on Title or on the subject loan
- Interest-Only eligible
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- Cash-Out can be used as reserves
- Housing history verification is required on subject property and borrower primary residence, regardless of whether or not the borrower is on the Note or Vested on Title. Any additional housing history included in the loan file that reflects delinquencies will be subject to review and must adhere to loan program matrix



2.0 PRODUCT TYPES & ELIGIBILITY

Product	Non-DSCR Qualifying Rate	DSCR Qualifying Rate	Term	IO Term	Amort. Term	Index	Caps
3/6 ARM	Higher of Fully Indexed or Note Rate	Note Rate	360		360	30 Day SOFR	2/1/5
3/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	360	120	240	30 Day SOFR	2/1/5
3/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	480	120	360	30 Day SOFR	2/1/5
5/6 ARM	Higher of Fully Indexed or Note Rate	Note Rate	360		360	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	360	120	240	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	480	120	360	30 Day SOFR	2/1/5
7/6 ARM	Higher of Fully Indexed or Note Rate	Note Rate	360		360	30 Day SOFR	5/1/5
7/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	360	120	240	30 Day SOFR	5/1/5
7/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	480	120	360	30 Day SOFR	5/1/5
10/6 ARM	Higher of Fully Indexed or Note Rate	Note Rate	360		360	30 Day SOFR	5/1/5
10/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	360	120	240	30 Day SOFR	5/1/5
10/6 ARM IO	Higher of Fully Indexed or Note Rate	Note Rate	480	120	360	30 Day SOFR	5/1/5
15 Yr. Fix	Note Rate	Note Rate	180		180		
30 Yr. Fix	Note Rate	Note Rate	360		360		
30 Yr. Fix IO	Note Rate	Note Rate	360	120	240		
40 Year Fix IO	Note Rate	Note Rate	480	120	360		

- Non-DSCR loans that are Interest-Only qualify at the full principal and interest payment over the amortized term
- DSCR loans that are Interest-Only qualify at the Interest-Only payment

2.1 ADJUSTABLE-RATE CRITERIA

- Refer to the respective Program Matrix for adjustable-rate criteria (caps, floors, margins, etc.)
- ARM floor is equal to the loan's initial margin
- 30 Day Average SOFR Index as published by the New York Federal Reserve
- ARMs will adjust every six months after the first reset



2.2 DEROGATORY CREDIT HISTORY

- Refer to the respective Program Matrix for Derogatory Housing Events seasoning requirements and Housing History requirements
- Derogatory Housing Events:
 - Housing Events defined as Foreclosures, Short Sale, Deed in Lieu, Modification (due to default), Notice of Default, or 120+ Days Delinquent
 - HELOC / 2nd Lien charge-off is treated as a Foreclosure
 - Bankruptcies are considered Credit Events, inclusive of Chapter 7, 11, and 13
 - Defaulted first and second mortgages on same property are considered one (1) event
 - Events include all occupancy types (Primary, Second Home, and Investment Properties)
 - Seasoning lookback is from the date of discharge / dismissal or property resolution (completion date), as of the note date
 - Modification look back commences at inception (when loan was permanently modified)
- Housing History
 - Twelve (12) month mortgage / housing history includes all occupancy types: Primary, Second Home and Investment Properties

2.3 GEOGRAPHY

- Refer to the respective Program Matrix for eligible states
- The following US commonwealth and territories are not eligible for purchase
 - Puerto Rico, Guam, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands

2.4 MINIMUM LOAN AMOUNT

- \$150K (no exceptions to minimum loan amount)

2.5 DEBT TO INCOME ("DTI")

- Standard
 - Max DTI permitted: 50%
- Expanded
 - DTI up to 55% allowable with the following requirements:
 - Minimum 700 FICO
 - Max 80% LTV / CLTV
 - Primary residence only
 - No FTHB
 - 1.5x minimum residual income as defined in [Residual Income](#)
- DTI greater than 43% or HPML must demonstrate residual income as noted in [Residual Income](#)
- Refer to the respective Program Matrix for specific DTI limits



2.6 QUALIFYING PAYMENT

2.6.1 Non-DSCR Qualifying

- Fully Amortizing
 - For fixed rate fully amortizing loans, qualify at the fixed rate
 - For ARM fully amortizing loans, qualify at the higher of the fully indexed rate or Note rate
- Interest-Only
 - For fixed rate, I/O loans, qualify at the fixed rate amortized over the remaining loan term after the Interest-Only period
 - For ARM I/O qualifying rate / payment, calculate using the higher of the fully indexed rate or Note rate

Example: Interest-only loans with a 10 year interest-only period and a 30 year term would qualify using a fully amortizing principal and interest payment over 240 months.

2.6.2 DSCR Qualifying

- Fully Amortizing
 - For fixed rate fully amortizing loans, qualify at the fixed rate
 - For ARM fully amortizing loans, qualify at the Note rate
- Interest-Only
 - For fixed rate, I/O loans, qualify at the Interest-Only payment
 - For ARM I/O qualifying rate / payment, calculate using the Note rate

2.7 CASH-OUT LIMITS

- Refer to the respective Program Matrix for Cash-Out limits

2.8 PREPAYMENT PENALTIES

- Permitted only on Investment Properties that are Business Purpose. Prepayment penalties on primary residences and second home transactions are prohibited
- Where permitted by applicable laws and regulations. Total points, fees and APR may not exceed current state and federal high-cost thresholds
- STG Mortgage does not purchase loans defined as high-cost mortgages under Federal or state law, regardless of the basis for the loan's treatment as such



2.8.1 State Specific Prepayment Penalty Restrictions

- Certain states place restrictions on which loans may have prepayment penalties as well as the permissible structure for the prepayment penalty terms.
- See tables below for detailed information regarding allowable prepayment penalties.

STG Mortgage Standard Restrictions States with No Prepayment Penalty Restrictions (All Prepayment Penalties Are Allowed)						
AL	CT	GA	MA	NH	SC	VA
AZ	DC	HI	MT	NV	SD	WI
CA	DE	ID	NC	NY	TN	WV
CO	FL	LA	NE	OR	UT	WY

STG Mortgage Standard Restrictions States That Do Not Allow Prepayment Penalties								
AK	KS	MD	ME	MN	ND	NM	OH	VT

STG Mortgage Standard Restrictions States With Prepayment Penalty Restrictions			
State	PPP Allowed When:	PPP Structures	No PPP Allowed When:
AR	Maximum of 3 years	Max Rates: 3-2-1, Principal Loan Amount	No Restriction
IA	Maximum of 5 years	Max Rates: 5-4-3-2-1	No Restriction
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.	No Restriction	Any loan with Interest rate above 8%, and any loan in Cook County where loan amount is < \$250k.
IN	Fixed Rate Loans	No Restriction	ARM Loans
KY	No Restriction	Max Rates: 3-2-1	No Restriction
MI	Maximum of 3 years	1% Fixed	No Restriction
MO	No Restriction	Max Rates: 2-2-2-2	No Restriction
MS	Interest Rate < 8%, Maximum of 5 years	Max rates: 5-4-3-2-1, Unpaid Principal Balance	Interest Rate ≥ 8%
NJ	Closed in name of Corp. or LLC	No Restriction	Closed in name of individual
OK	Interest Rate ≤ 8%, Maximum of 2 years	Max Rates: 2-1, Loan Amount Prepaid	Interest Rate > 8%
PA	Loan Amount > \$319,777 and 1-2 Unit, or any 3-4 Unit	No Restriction	Loan Amount ≤ \$319,777 and 1-2 Unit
RI	Maximum of 1 year	2% Fixed	No Restriction
TX	Purchase, or Non-Homestead Refinances	No Restriction	Homestead Refinances
WA	Fixed Rate Loans	No Restriction	ARM Loans



2.9 RESERVES

- Refer to the respective Program Matrix for Reserve requirements
- For fully amortized loans, reserves are calculated off the fully amortized PITIA payment
- For Interest-Only loans, reserves are based on the initial Interest-Only payment (ITIA)
- For non-DSCR loans, additional reserves are required for Borrower(s) with additional financed properties other than the Subject property
 - Borrower(s) will be required to meet the subject property reserve requirement plus two months of reserves for each additional financed property, capped at a total of 12 months reserves for all properties (including Subject property)
 - Example) Borrower with five (5) financed properties with a total monthly PITIA / ITIA of \$5,000 must have an additional \$10,000 in reserves in addition to the Subject property requirements
- DSCR loans do not require reserves for additional financed properties, Subject property only
- For non-occupant co-borrowers, an additional six (6) months reserves is required
- Reserves must be documented per [Asset Documentation Requirements](#)
- Cash-Out proceeds may be used in reserve calculation



3.0 BORROWER ELIGIBILITY

3.1 ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens (refer to the respective Program Matrix for restrictions)
- Non-Occupant Co-Borrowers (refer to the respective Program Matrix for restrictions)
- Inter Vivos Revocable Trust (Must meet FNMA requirements)
- Limited Partnerships, General Partnerships, Corporations, Limited Liability Companies (“LLCs”) (Business Purpose Investment Property loans only)

3.2 PERMANENT RESIDENT ALIEN

- 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 two (2) years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions
 - Un-expired Foreign Passport with an un-expired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized.”

3.3 NON-PERMANENT RESIDENT ALIENS

3.3.1 Non-Permanent Resident Aliens Must Meet the Following Requirements

- The following Visa classifications are allowed as Non-Permanent Resident Aliens:

- E-1, E-2, E-3	- H-1B	- O-1
- EB-5	- L-1	- R-1
- G-1 through G-5	- NATO	- TN (NAFTA)R-1

- Copies of the Borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival / Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing
- A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower’s current employer. If the visa will expire within six (6) months of note date, it is acceptable to obtain a letter from the employer documenting the Borrower’s continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa)
- If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification
- Borrowers who are residents of countries which participate in the Department of Homeland Security’s Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website: <https://www.dhs.gov/visa-waiver-program-requirements>



3.3.2 Non-Permanent Resident Alien Program Restrictions

- Maximum 80% LTV / CLTV
- Purchase and Rate / Term Refinances only

3.4 FOREIGN NATIONAL

- Foreign Nationals are ineligible for financing
- A Foreign National is a non-U.S. Citizen who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. Foreign Nationals are ineligible for primary residence financing.

3.5 FIRST-TIME HOME BUYERS

- First-Time Home Buyers ("FTHB") are individuals that have not owned a home or had a residential mortgage in the United States in the last three (3) years.
 - The Eclipse Program does not classify a borrower as a FTHB if they are vested on any property title within the past (3) years. Borrowers vested on title to their primary residence but not on the note will still require a 12-month housing history
- FTHB are subject to the following requirements:
 - Maximum payment shock of 250%
 - Rent-free FTHB are unable to meet Payment Shock requirements, they are permitted with no credit exceptions. Housing History requirements pertaining to rent-free borrowers identified are in [Housing History](#)
 - Refer to the respective Program Matrix for additional FTHB restrictions

3.6 NON-OCCUPANT CO-BORROWER

- Non-Occupant Co-Borrowers are credit applicants that do not occupy the subject property. The following requirements must be met:
 - Must be an immediate relative, proof of relationship is required
 - Must sign the mortgage / deed of trust
 - Must not have an interest in the property sales transaction
 - Maximum LTV / CLTV of 80% or limited as posted on applicable Program Matrix, whichever is lower
 - Purchase and Rate / Term Refinance only
 - Single unit primary residence only
 - Maximum DTI of 43%
 - Additional six (6) months reserves required
 - Occupying Borrower must have documented income equal to 75% of PITIA

3.7 ENTITY VESTING FOR LIMITED PARTNERSHIP (LP), GENERAL PARTNERSHIP (GP), CORPORATIONS (CORP) AND LIMITED LIABILITY COMPANIES (LLC)

3.7.1 Entity Vesting Requirements

To vest in an Entity the loan must be for an Investment Property and meet Business Purpose requirements.

- Entity Vesting Requirements:
 - Entities must be formed solely for the purpose of Ownership and Management of Real Estate
 - Max of four (4) entity owners allowed



- All eligible guarantors must be disclosed, and credit qualify - eligibility listed in section below
- All Borrower(s) must execute the [Occupancy Certification](#)
- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the [Business Purpose & Occupancy Affidavit](#)

3.7.2 Borrower / Guarantor Eligibility Requirements

- Guarantor(s) must:
 - Be a managing member or majority owner
 - Hold at least 25% ownership (as confirmed by the Operating Agreement or equivalent)
 - Guarantor is subject to the same underwriting requirements as an individual Borrower
- Personal Guaranty (PG) is required when Note is not signed individually (see [Entity Signature Requirements](#) below for signing example)
 - Guarantor(s) must sign all closing documents and disclosures
 - All Borrower(s) will be required to provide Personal Recourse
 - Consent of Spouse Form will be required in Community Property States when loan is signed with a Personal Guaranty and Spouse is not included on the loan
 - Form must be executed at loan closing and dated the same date as the Note

3.7.3 Required Entity Documentation

- The following entity documents are required:
 - Articles of Incorporation (or Articles of Organization for a LLC)
 - Operating Agreement (or equivalent)
 - Tax Identification Number
 - Proof of ownership percentage (if not outlined in other required documents)
 - Certificate of Good Standing
 - Must be dated within 30 days of closing

3.7.4 Layered Entity Structures

- Not permitted



3.7.5 Entity Signature Requirements

- The Note must be signed by either the guarantor in their individual capacity and/or as member(s) and/or managing member of the entity. In cases where there are not any individual capacity signatures, each applicable guarantor / manager must sign a Personal Guaranty in their individual capacity
- The Mortgage / Deed of Trust / security instrument must be signed by the applicable guarantor(s) of the entity in their capacity as member(s) and/or managing member of the entity

Signing Example:

Note:
John Smith (Individual signature if person is not signing a Personal Guaranty)
John Smith, as member of ABC Properties, LLC
Mortgage / Deed of Trust:
John Smith, as member of ABC Properties, LLC

3.8 INELIGIBLE BORROWERS

- The following are ineligible:
 - Foreign Nationals
 - Irrevocable or Blind Trusts
 - Layered Entities
 - Land Trusts
 - Non-profit organizations
 - Borrowers with diplomatic immunity
 - Asylum applicants
 - Self-employed Borrower deriving their income from any Cannabis related business
 - Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority



4.0 OCCUPANCY ELIGIBILITY

4.1 PRIMARY RESIDENCE

- A primary residence is a property that the Borrower(s) currently resides in or intends to occupy (within sixty (60) days) as his or her principal residence
- 2-4 Unit properties are eligible as primary residences provided they are common for the area and exhibit no unique characteristics that can influence marketability
- Characteristics that may indicate that a property is used as a Borrower's primary residence include:
 - Occupancy by the Borrower for the major portion of the year
 - Location is relatively convenient to the Borrower's principal place of employment
 - Property is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, bank account statements and similar matters
 - Property possesses physical characteristics that accommodate the Borrower's family

4.2 SECOND HOMES

- A property is considered a second home when it meets all the following requirements:
 - Must be located a reasonable distance away from the Borrower(s) principal residence
 - Must be occupied by the Borrower(s) for some portion of the year
 - Is restricted to a one-unit dwelling
 - Must be suitable for year-round occupancy
 - The Borrower(s) 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 or prohibits the owner from occupying at any time
 - Gift funds not permitted on Second Homes > 80% LTV / CLTV

4.3 INVESTMENT PROPERTIES

- Occupancy designation for an income producing property where the Borrower does not occupy the Subject property
- All Borrower(s) must execute the [Occupancy Certification](#) or similar form subject to STG Mortgage approval
- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the individual signing the Note and/or providing a personal guaranty must execute the [Business Purpose & Occupancy Affidavit](#)
- For Investment Property loans with a Guarantor, the individual(s) providing the guaranty must execute the [Personal Guaranty Agreement](#)

4.3.1 Investment Property Restrictions

- Gift funds not permitted on Investment Property loans > 80% LTV / CLTV



5.0 TRANSACTION ELIGIBILITY

5.1 ELIGIBLE TRANSACTIONS

5.1.1 Purchase

- A purchase transaction is one which allows a buyer to acquire a property from a seller where the proceeds of the transaction are used to finance the acquisition of the Subject property
- The lesser of the purchase price or appraised value of the Subject property is used to calculate the LTV
- Sellers must have owned the property more than 12 months, otherwise the transaction is subject to review as a Flip Transaction. Bank or government agency owned REO and Corporate Relocations are eligible and not considered a flip transaction. Maximum Interested Party Contributions permitted up to 6%

5.1.1.1 Flip Transactions

- When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”. To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) must be used
- Flip transactions are subject to the following requirements:
 - All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction
 - No pattern of previous flipping activity may exist in the last 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
 - An additional appraisal product is required.
 - 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/>

5.1.1.1.1 Flip Transaction Appraisal Requirements

- A second appraisal is required, prior to closing, in the following circumstances:
 - Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days
 - Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days
 - The Borrower may not pay for the 2nd appraisal
- In all cases, the file must contain evidence that the appraisal(s) were delivered to the borrower at least 3 business days prior to closing. For example: if the appraisal is delivered on Monday, the soonest the transaction may close is Thursday



- In order to comply with CFPB regulations for HPML loans, new construction properties where the previous transaction represented value as vacant land ARE considered a Flip Transaction and the above criteria must be satisfied
- For non-HPML loans, new construction properties where the previous transaction represented value as vacant land are NOT considered a Flip Transaction and the above criteria do not apply

5.1.2 Rate / Term Refinance

- A Rate / Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only with no additional cash or advancing of new money on the loan unless it is below the limited Cash-Out amount.
- The seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end mortgage or (3) a HELOC mortgage not having any draws greater than \$5,000 in the past twelve (12) months
 - Withdrawal activity must be documented with a transaction history from the HELOC
- Limited cash to the Borrower must not exceed the lesser of \$5,000 or 2% of the principal amount of the new mortgage to be considered a Rate / Term refinance
- The LTV / CLTV will be based off the appraised value. Loan must be used to pay off existing lien on the Subject mortgage and cash to the Borrower must not exceed the lesser of \$5,000 or 2% of the principal amount of the new mortgage
- The rate / term refinance of a construction loan is eligible with the following conditions:
 - If the lot was acquired twelve (12) or more months before applying for the subject loan, the LTV / CLTV is based on the current appraised value of the property
 - If the lot was acquired less than twelve (12) months before applying for the construction financing, the LTV / CLTV is based on the lesser of the current appraised value of the property OR the total acquisition costs
- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance
- Refinancing of a Land Contract is considered a purchase and LTV / CLTV must be calculated using purchase price

5.1.2.1 Recently Listed For Sale (Rate / Term Refinance)

- Properties that have been listed for sale by the Borrower within the past six (6) months from the Note Date may not be currently listed at the time of Loan Application and will require a Borrower LOE and Listing Cancellation
 - Multiple listings in the past twelve (12) months are not eligible

5.1.3 Cash-Out Refinance

- A Cash-Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner to obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing if they do not exceed the program requirements
- To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of six (6) months prior to the note date. For DSCR Cash-Out seasoning and guidance, refer to [Cash-Out \(DSCR\)](#)
- If the property is owned less than twelve (12) months but greater than six (6) months at the time of note date, the maximum LTV / CLTV for the transaction will be based on the lesser of the original purchase price plus fully documented improvements such as invoices and/or confirmed by the appraiser, or current appraised value. The prior settlement statement will be required for proof of purchase price
- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance



- Refinancing of a Land Contract is considered a purchase and LTV / CLTV must be calculated using purchase price
- Refer to the respective Program Matrix for specific details regarding maximum LTV and Cash-Out amounts.
 - Cash-Out includes funds received at closing as cash back and any applicable debts paid off outside the first lien and any seasoned second liens

5.1.3.1 Recently Listed For Sale (Cash-Out Refinance)

- Properties that have been listed for sale by the Borrower within the past six (6) months from the Note Date may not be currently listed at the time of Loan Application and will require a Borrower LOE and Listing Cancellation
 - Multiple listings in the past twelve (12) months are not eligible

5.1.3.2 Texas 50(a)(6) (Texas Cash-Out Refinance)

- A Texas 50(a)(6) loan is a non-purchase money mortgage (potentially including a refinance of a prior home equity loan) in which the borrower takes equity out of a homestead property in Texas. In order to be valid, these home equity loans must comply with all requirements listed in Section Article XVI, Section 50(a)(6) of the Texas Constitution

5.1.4 Business Purpose Loans

- All business purpose loans must be investment occupancy, however not all investment property loans meet the additional requirements to be considered business purpose loans. In order to be considered business purpose, the file must meet ALL of the following requirements:
 - Borrower must execute the [Business Purpose & Occupancy Affidavit](#)
 - The details of the transaction support that the loan proceeds are being used exclusively for business purposes as outlined below
- Prepayment penalties are only permitted on Investment Property loans that are able to be classified as Business Purpose Loans. See [Prepayment Penalties](#) for more information.

5.1.4.1 Business Purpose Purchase Transactions

- Purchase transactions may be considered business purpose when the borrower is bringing funds to close and intends to rent out the property to an unrelated party. Loans in which the borrower is classifying the property as investment occupancy to allow a relative to reside there are not considered business purpose, despite the investment occupancy
- If a personal debt must be paid to qualify, the borrower must pay it using their own funds and not transaction proceeds
- Whether the borrower is using personal or business funds to close does not impact the business classification. However, if the borrower is receiving a refund of excess deposit, the proceeds may not be used for a non-business purpose, such as paying off a personal credit card. Paying off a business debt with excess funds from the transaction would be permitted

5.1.4.2 Business Purpose Rate & Term Refinance Transactions

- Rate & Term Refinance transactions may be considered business purpose when the borrower is currently using or intending to use the property within 60 days as a rental to an unrelated party. Properties occupied by family members are not considered business purpose.



- If a personal debt must be paid to qualify, the borrower must pay it using their own funds and not transaction proceeds
- Whether the borrower is using personal or business funds to close does not impact the business classification. No proceeds from the transaction may be used for personal reasons, such as paying off a personal debt

5.1.4.3 Business Purpose Cash-Out Refinance Transactions

- Cash-Out Refinance transactions may only be considered business purpose when 100% of the cash-out proceeds are used for business purposes. The file must contain a letter attesting that all cash out proceeds will be used for business purposes

5.1.4.4 Business Purpose Use of Proceeds Examples

Examples of acceptable business purpose use of proceeds:

- Paying off the subject property lien, closing costs, prepaids
- Paying off or paying down a mortgage on another investment property or a property used for business (i.e. office building)
- Paying business debts
- Downpayment on another investment property or property used for business
- Investing in a new or existing business
- Paying off delinquent property taxes or liens on the subject property or another investment property
- The payoff of mortgage loans in the borrower(s)' personal name(s) is acceptable provided the liens only secure investment property.

Examples of use of proceeds which do NOT qualify as business purpose:

- Paying off subject property liens that are a result of the borrower's personal obligations. For example: income tax liens against the subject property or judgements for the borrower's personal debt
- Paying off any non-business related liability
- Paying off personal debts of the borrower or another party
- Paying off or paying down mortgage &/or obligations related to a primary residence or second home
- Funding education expenses
- The payoff of non-mortgage debts in the borrower's personal name is never acceptable, even if those accounts are used exclusively for business purposes. For example: a personal credit that the borrower uses only for business purposes could not be paid through the transaction

5.1.5 Property Buyouts and Inherited Properties

- Refinances of inherited properties and properties legally awarded to the borrower, including DSCR loans, are permitted and considered Cash-Out Refinances. This includes divorce, separation and dissolution of a domestic partnership. Seasoning requirements do not apply, and the following guides must be met:
 - Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained
 - Equity owners must be paid through subject loan's 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



5.1.6 Subordinate Financing

- New subordinate financing allowed only for the purchase of a primary residence
- If a HELOC is present the LTV / CLTV must be calculated by using the line amount of the HELOC (whether or not there have been any draws)
- All subordinate loan obligations must be considered, verified, and considered when calculating the Borrower's DTI
- If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction
- For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment
- Subordinate financing not permitted on Interest-Only products
- Subordination of existing mortgages is permitted on refinances

5.1.7 Delayed Financing

- Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eighty days (180) from the date of purchase to the new mortgage note date
 - The original purchase transaction must be an arm's length transaction
 - The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property as example)
 - The maximum LTV / CLTV for the transaction will be based on the lower of the current appraised value of the subject or the purchase price plus any of the fully documented improvements such as invoices and/or receipts for work performed and confirmed by the appraiser
 - The preliminary Title must confirm that there are no existing liens on the property
 - The loan is considered a Cash-Out transaction. Cash-Out loan, LTV and other limitations apply

5.1.8 Temporary Interest Rate Buydowns

- STG Mortgage permits Temporary Interest Rate Buydowns in accordance with the Fannie Mae Seller Guides
- When qualifying the borrower, loans that have a Temporary Interest Rate Buydown must be qualified without consideration of the "bought down" rate
- Available buydown terms: (3-2-1), (2-1), (1-1), (1-0)
- Purchase transactions only
- Investment Property not permitted
- 30-year fixed product only
- Interest-Only not permitted
- DSCR not permitted



5.1.9 Non-Arm's Length Transactions

Non-Arm's Length transactions allowed on Primary Residence Purchase transactions only

Renter(s) purchasing from landlord

- 12-months of cancelled checks to prove timely payments are required
- A verification of rent (VOR) is not acceptable

Purchase between family members

- Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout
- Gift of equity requires a gift letter, and the equity gift credit is to be shown on the CD

Purchase by employee of a seller, broker, or originator

- Any employee of a seller, broker, or originator involved in the loan must qualify with Full Documentation

5.2 INELIGIBLE TRANSACTIONS

- Assignment of Contracts
 - If there are no fees involved, the assignment may be considered on a case-by-case basis and will require an investor exception approval, subject to an LLPA
- Builder/Home-Flipper Bailout & Model leasebacks
- Construction Loans
- Conversion Loans
- Daily Simple Interest Loans
- Rent Credits
- Lease Option
- Tenants in Common
- High Cost Loans (Federal, State, or Local)
- Loans to bailout a family member
- Vacant land loans
- Loans with escrow holdbacks



6.0 CREDIT ELIGIBILITY

6.1 CREDIT REPORT DETAIL

- A tri-merged in file credit report from all three repositories is required
- A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt. This applies to all programs (including DSCR)
- Confirmation that there is no new debt via a credit refresh or Undisclosed Debt Monitoring (UDM) report.
 - DTI must be recalculated based on any new debt
 - Updated credit scores are not required, but if the updated credit information provides new credit scores, they must be reviewed for qualification
- Security freeze – Frozen credit bureaus are not permitted. Credit reports may not contain a security freeze and must be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report

6.2 HOUSING HISTORY

- Twelve (12) months housing history is required for all occupancy types – Primary, Second Home and Investment Properties. If primary housing is documented as free and clear, no exception is needed; This includes whether or not the borrower is on the Note or Vested on Title of their primary.
- If the subject property has delinquent taxes > one year from note date, this may be considered on a case-by-case basis and will require an investor exception approval, subject to LLPA.
- Any additional housing history included in the loan file that reflects delinquencies will be subject to review and must adhere to loan program matrix
- All mortgages and rental payments must 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
 - Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR
 - When the subject property or the borrower's primary residence has a private party mortgage (e.g., individual, private lender, hard money lender), the following documentation is also required: Borrower's proof of payment for the most recent 6-months (e.g., Cancelled checks, bank statements, ACH payments, bank transfer/wire, electronic payment method
 - If the borrower is living rent-free as a dependent with family and a 12-month housing history is not applicable, a rent-free letter is required. For first-time homebuyers, rent-free is permitted with no credit exceptions
- Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity

6.3 CREDIT SCORES

6.3.1 Non-DSCR Programs (Credit Scores)

- For Non-DSCR programs: To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided
- Representative Credit Score of the Primary Wage Earner is used to qualify
 - In the event there are multiple Borrowers that earn identical income, the Representative Credit Score will be the lower score of the applicants



6.3.2 DSCR Program (Credit Scores)

- For DSCR: In cases of equal ownership %, use the lower of the two scores
 - Minimum of 2 scores is required
 - Lowest of all borrower mid-scores
- Credit rescues must be completed prior to loan lock, except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescue was performed

6.4 CREDIT REPORT REQUIREMENTS

6.4.1 Tradelines

- Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) trade lines
- Tradeline activity is not required; can be opened or closed. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy and authorized user accounts
- Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks / debits)
- Authorized user accounts must be used to calculate DTI ratio but are not included in the number of tradelines.
- For non-DSCR loans, borrower(s) not using income to qualify are not required to meet the minimum tradeline requirements listed above
- For DSCR loans, all borrower(s) must adhere the tradeline requirements above

6.4.2 Credit Events, Derogatory Accounts and IRS Payment Plans

- Prior Bankruptcies (Chapter 7, 11, 13) are permitted based upon respective Program Matrix. Multiple bankruptcies are not permitted
- Prior Foreclosure, Short Sale, Deed-in-Lieu, and Modification (due to default), Notice of Default, Lis Pendens, and 120+ days delinquency is permitted based upon respective Program Matrix
- Borrowers currently enrolled in credit counseling or debt management plans are not permitted
- All Judgments or liens affecting title must be paid
- Non-title charge-offs and collections within three (3) years and exceeding \$5,000 (individually or aggregate) must be paid
- Medical collections less than \$15,000 are not required to be paid
- All past due accounts must be brought current prior to closing
- Disputed accounts require an LOE
- IRS tax payment plans approved by the IRS are permitted if current and demonstrate at least one (1) payment has been made and do not carry a lien on any property
- All Borrowers must be current on mortgage or rent at loan application and closing
- All derogatory revolving and installment accounts > sixty (60) days within four (4) years of closing require a full explanation
- Delinquent credit belonging to ex-spouse can be excluded if late payments occurred after the divorce / separation, and divorce decree / separation agreement indicates derogatory accounts belong solely to the ex-spouse
- Security freeze – Credit reports may not contain a security freeze and must be unfrozen prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report



- Defaulted timeshares – Timeshares including delinquencies are treated as installment loans and not a housing event



7.0 INCOME DOCUMENTATION

Unless otherwise noted in the Program Guidelines or in a specific Program Matrix, all borrowers must have a two (2) year income history from employment or other allowable sources. The expectation is that income year-over-year is stable or shows a trend with a gradual increase. This type of income must be averaged for the borrower(s) gross monthly income used to qualify. A reasonable expectation must be present that the borrower(s) source(s) of income will continue for the foreseeable future.

In cases where a borrower(s) income is declining or shows unusual or unexpected fluctuation, careful consideration must be given to the income being reviewed and the reason for the decline or fluctuation. Proper discretion must be exercised to determine the extent or probability of impairment of the borrower's income and earning ability moving forward. Conservatively, the lesser income must be used when a declining situation is present. A letter of explanation is required from the borrower(s) to support the circumstances. Borrowers that show continued declining income without a reasonable explanation or proof that the trend will not continue are not eligible to use that income for qualification.

Combined Income Documentation Scenarios

- Income documented through Alternative Documentation programs may be combined with other income sources that are documented as Full Documentation but not associated with self-employment, such as a spouse employed as a wage earner
- When wage income is combined with Alternative Documentation, a tax return is not required as this would invalidate the bank statements. Form 4506-C is still required; however, Box 8 must be checked to obtain a transcript of the W-2 earnings only
- Combined income documentation types are intended for separate borrowers on the same loan (spouses, for example). Cases of combined income types for the same borrower are only permitted by exception

7.1 FULL DOCUMENTATION (2-YEAR)

7.1.1 Agency Ineligibility and Borrower Benefit

- All 2-Year Full Doc loans must comply with the borrower benefit requirements outlines in [Proof of Agency Ineligibility \(Anti-Steering & Best Interest of the Borrower\)](#)

7.1.2 Wage Earners (2-Year Full Doc)

- Most recent paystub (most recent thirty (30) day period) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- Two (2) years IRS W-2's
- Written Verification of Employment (only when needed for the analysis of overtime, bonus, or commission)
- IRS 1040s are required when using other sources of income to qualify i.e., interest, dividends, capital gains, note receivable, trust income etc.
- W-2 transcripts
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment (VVOE):
 - Must be completed within ten (10) calendar days of the closing date



- VVOE include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title
- A Borrower who is no longer employed at the same employer listed on the initial 1003 is not eligible
- Electronic verifications such as The Work Number are acceptable substitutes

7.1.3 Self-Employed Borrowers (2-Year Full Doc)

- A Borrower is considered self-employed with 25% or more ownership interest in a business
- Requirements:
 - Two (2) years personal & business tax returns (including all schedules and K-1's, W-2s) plus YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest
 - If the P&L covers more than nine (9) months, three (3) months of business bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if necessary to document business income
- Borrower will be qualified on the lower of:
 - Monthly average of the net income from the tax returns and P&L or
 - Monthly net income from tax return multiplied by 115%
- 1040 tax transcripts
 - Business tax transcripts not required if net business income is validated on the Borrower's 1040s
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- All Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Declining income – Self-employed
 - Declining income of the last two (2) years may be utilized for qualifying with signed letter of explanation from the Borrower. Lower of the two (2) years would then be used to qualify unless the income has stabilized over the most recent six (6) months

7.2 FULL DOCUMENTATION (1-YEAR)

7.2.1 Wage Earners (1-Year Full Doc)

- Most recent paystub (most recent thirty (30) day period) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- One (1) years IRS W-2
- Borrowers who are employed by family, or who are qualifying with bonus/commission, interest, dividends, capital gains, note receivable, trust income require two (2) full years of history and must qualify using two (2) year Full Doc program
- W-2 transcripts
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment (VVOE)



- Must be completed within ten (10) calendar days of the closing date
- VVOE must include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title
- A Borrower who is no longer employed at the same employer listed on the initial 1003 is not eligible
- Electronic verifications such as The Work Number are acceptable substitutes

7.2.2 Self-Employed Borrowers (1-Year Full Doc)

- A Borrower is considered self-employed with 25% or more ownership interest in a business.
- Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau
 - Self-employed Borrower income for licensed individuals in specified professional trades requiring advanced qualifications (medical, legal, engineering, accounting, etc.) will be considered from a business that has been in existence for less than two (2) years, but greater than one (1) year if the Borrower has at least two (2) years of documented previous experience in the same profession, or evidence of formal education in a related field (skilled trades such as plumbers, electricians, cosmetologist, realtors, etc. are not permitted with less than 2 full years of self-employment)
- Requirements:
 - One (1) year personal & business tax (including all schedules, K-1's & W-2s) plus YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest
 - If the P&L covers more than nine (9) months, three (3) months of business bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary to document business income
- Borrower will be qualified on the lower of:
 - Monthly average of the net income from the tax return and P&L or
 - Monthly net income from tax return multiplied by 115%
- 1040 tax transcripts:
 - IRS form 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying
 - Business tax transcripts not required if net business income is validated on the Borrower's 1040s
 - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent

7.3 ASSET DEPLETION & ASSET UTILIZATION PROGRAMS

- Asset-based programs are designed to meet the Ability to Repay ("ATR") requirements. This is accomplished by requiring a DTI in the Asset Depletion program and the requirement of a minimum asset threshold and residual income calculation in the Asset Utilization program
- For Asset Depletion, the utilization of financial assets will be considered as Borrower income to qualify for their monthly payments in the DTI calculation
- For Asset Utilization, the utilization of financial assets will be verified against the minimum asset threshold and used to calculate a Borrower's residual income
- A Borrower using Asset Depletion cannot use other sources of employment income
 - Non-employment sources of income may be considered on a case-by-case basis and will require an investor exception approval, subject to an LLPA



- A Borrower using Asset Utilization cannot use any other sources of income
- Both the Asset Depletion & Asset Utilization programs will be qualified with restrictions outlined in the Program Matrix
- Reserves are not required for either the Asset Depletion or Utilization program
- The following are not permitted for either the Asset Depletion or Asset Utilization program:
 - Second Home or Investment Property
 - Cash-Out
 - Gift funds
 - Business Assets
 - Foreign Assets
 - Non-Occupant Co-Borrower

7.3.1 Asset Depletion Program Requirements

- Total post-closing assets must be the greater of the minimum assets per the Program Matrix or \$450K
- A borrower must have a debt to income ("DTI") that qualifies per the Program Matrix
- When DTI > 43%, Borrowers must have a residual income greater than or equal to the requirement found in [Residual Income](#)

7.3.2 Asset Utilization Program Requirements

- Borrowers must have a residual income greater than or equal to the requirement found in [Residual Income](#)
- Total post-closing assets must be the greater of the minimum assets per the Program Matrix or \$450K

7.3.3 Eligibility (Asset Depletion & Asset Utilization)

- Total post-closing assets for both the Asset Depletion & Asset Utilization programs must be the greater of the minimum assets per the Program Matrix or \$450K
- Assets used for qualifying must be seasoned for one hundred twenty (120) days
- Bitcoin or other forms of cryptocurrency can be utilized as "Qualifying Assets" to the extent the cryptocurrency was converted or liquidated to cash and the cash holding meets seasoning requirements of one hundred twenty (120) days. Cryptocurrency that has not been converted or liquidated to cash (still in cryptocurrency form) cannot be utilized as a Qualifying Asset

7.3.4 Qualifying Assets (Asset Depletion & Asset Utilization)

- Net Assets:
 - If the assets or a portion of the assets are being used for down payment or costs to close, those assets must be excluded from the balance before analyzing a portfolio for income qualification
- Net assets multiplied by the following percentages:
 - 100% checking / savings / money accounts
 - Borrowers percentage of Trust Assets may be used and must fully meet FNMA guidelines
 - Sale of Real Estate Owned with Copy of Final CD and evidence of funds deposited
 - Sale of Business asset is permitted with the Final Settlement statement and evidence of funds deposited
 - 80% of the remaining value of stocks / bonds / mutual funds
 - 70% for all vested retirement assets
- Assets held jointly:
 - All account holders must be borrowers on the loan to use joint asset accounts



7.3.5 Qualifying Income (Asset Depletion & Asset Utilization)

For both the Asset Depletion & Asset Utilization programs, ensure the Borrower has met the minimum asset requirement per the Program Matrix. To calculate qualifying income:

- Asset Depletion: Calculate Qualifying Income by using Qualifying Assets divided by eighty-four (84) months
- Asset Utilization: Calculate residual income by dividing Qualifying Assets by eighty-four (84) months. Then, subtract the Borrower's total monthly debt obligation (total liabilities) to produce the Borrower's residual income. Do not impute tax deductions when determining residual income. Residual income must meet or exceed the requirement found in [Residual Income](#)

7.4 BANK STATEMENTS (BUSINESS AND PERSONAL)

- The Bank Statement Program is designed for borrowers with an active U.S. based for profit business that is generating stable revenue. Borrowers that only receive income from passive or portfolio sources are ineligible (e.g., borrower managing their own rental properties, distributions from limited partnership, day trading, property flippers, etc.). The business may not be a church, religious organization, non-profit or charitable entity
- The file may not contain any tax information for the business that is qualifying with Bank Statement income
- Borrowers paid 1099 from a single company are not eligible for Bank Statement qualification and must qualify through [Full Documentation \(2-Year\)](#) or [Full Documentation \(1-Year\)](#)
- Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement program
- Multiple bank accounts may be used
- Co-mingling:
 - Co-mingling of personal and business accounts is not permitted in personal bank accounts. Evidence of co-mingling will require the loan to be submitted / qualified as a business bank statement loan
 - Two (2) months of business bank statements must be provided to validate Borrower utilizing separate banking accounts

7.4.1 Documentation Requirements (Bank Statement Program – Business and Personal)

- Borrowers may qualify with either twelve (12) or twenty-four (24) months of consecutive bank statements
 - For the Personal Bank Statement Program, two (2) months of Business Bank Statement are required to confirm ongoing business activity
- Bank statements must be consecutive, the most recent available at time of application, and no older than 90 days at time of closing
- Business Narrative
 - Business narrative must include details relating to the size / score and operating profile of the business, including the following:
 - Description of Business / Business Profile
 - Location and Associated Rent
 - Number of Employees / Contractors
 - Estimated Cost of Goods Sold if any
 - Materials / Trucks / Equipment
 - Commercial or Retail Client Base
- An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative. Underwriter certification (or notation on the 1008) if there are no returns when attempting an internet search
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing



7.4.2 Personal Bank Statements

7.4.2.1 Documentation Analysis (Personal Bank Statements)

- Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
- Unusually large deposits exceeding 100% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
- Two (2) months of business bank statements are required. These statements must evidence activity to support business operations and reflect transfers to the personal account
 - A borrower who only utilizes a personal account for business activity and does not have a separate business account must qualify through the [Business Bank Statements](#) program
 - Co-mingling of personal and business receipts is not permitted
- If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower
- Declining Income requires an LOE

7.4.2.2 Business Requirements (Personal Bank Statements)

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Minimum $\geq 25\%$ business ownership required
- Borrowers who own more than three (3) businesses must use personal bank statements option

7.4.2.3 Qualifying Income (Personal Bank Statements)

- For personal bank statement documentation, it is the lower of the following:
 - Personal bank statement average (total eligible deposits / 12 or 24 months)
 - If a Borrower has declining income and is qualifying with twenty-four (24) months of bank statements, the last twelve (12) months of income will be utilized to qualify
 - Monthly income disclosed on the initial signed 1003
- Joint Accounts – A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows:
 - If not contributing income / deposits, it must be validated by a Borrower affidavit
 - If contributing income / deposits, source must be clearly identified (direct deposit, SSI, trust income) and amounts must be subtracted from the analysis
 - Relationship letter must be present in file

7.4.3 Business Bank Statements

7.4.3.1 Documentation Analysis (Business Bank Statements)

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
- Large deposits exceeding 100% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required



- Declining Income requires an LOE
- NSFs require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of three (3) NSF occurrences within a twelve-month period are permitted. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve-month period are acceptable. NSFs must be covered with deposits shortly after they are incurred.
- Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring

7.4.3.2 Business Requirements (Business Bank Statements)

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Minimum ≥ 25% business ownership required
- Borrowers utilizing business bank statements that own ≥ 25% but < 100% of a business will be qualified at the net income multiplied by their ownership percentage

7.4.3.3 Expense Ratio (Two Options - Business Bank Statements)

Option 1 (Standard Expense Ratio per Table)

- Percentage of gross deposits (twelve (12) or twenty-four (24 months)) using expense ratio factor based on business type and number of employees
- Qualifying income will be the lower of the Expense Ratio formula or monthly income disclosed on the initial signed 1003
- Expense ratio must be reasonable for the profession
- Qualifying income must be multiplied by the Borrowers documented business ownership
- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- Example: Borrower with \$25,000 monthly average deposits multiplied by a 25% expense factor = \$18,750 in qualifying income

Service Business (Offers Services)	Employees		
	0	1-5	> 5
Examples of Service Business: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product/Capital Intensive Business (Sells Goods)	0	1-5	> 5
Examples of Product/Capital Intensive Business: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor

Option #2 (Accountant Expense Letter)

- The Tax Professional providing the expense letter must have filed the Borrower’s most recent two (2) years business tax returns
- Qualifying income is the lower of the 3rd Party Prepared Expense Ratio net income or monthly income disclosed on the initial 1003
- To determine net income, multiple eligible business deposits by the following: (100% minus the Expense Ratio) / 12 or 24 months)



- 3rd Party Prepared Expense Ratio floored at 15%
- If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
- The Expense Statement must be prepared and signed by a third-party Tax Professional specifying business expense as a percentage of the gross annual sales / revenue
- Self-employed Borrowers who have filed their own business tax returns are ineligible
- Following documentation is required:
 - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history printouts are not acceptable)
 - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
 - Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
 - Tax Professional must certify that the Expense Statement represents an accurate summary of the applicable cash expenses of the business
 - Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business
 - Tax Professional license must be verified and signed

7.5 SUPPLEMENTAL INCOME SOURCES

7.5.1 Long-Term Rental Income (Non-DSCR)

7.5.1.1 Eligibility (Long-Term Rental Income, Non-DSCR)

- Rental Income is permitted for both purchase and refinance transactions including non-subject properties
- 100% ownership is not required. Allowed income will be calculated based on ownership percentage and 100% of PITIA must be used regardless of ownership percentage

7.5.1.2 Documentation Requirements (Long-Term Rental Income, Non-DSCR)

- Rental income reported on Tax returns: Schedule E net income must be used for loans using full documentation types
- Rental income not reported on tax returns OR loans qualifying with alternative documentation types:
 - Lease agreement and two (2) months cancelled checks to show proof of rental payments, or if subject is recently rented, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit)
- Evidence that rent is market rate using a reliable online service or 1007

7.5.1.3 Calculation (Long-Term Rental Income, Non-DSCR)

- Purchase transactions
 - 75% of 1007 market rent utilized for qualifying income
 - If the existing lease from seller is transferring to borrower, the lease that predates the mortgage could have a superior claim to the mortgage. The seller is responsible for ensuring clear title and first lien enforceability
- Refinance Transaction (including Non-Subject Properties)
 - 75% of fully executed Lease agreement with the supporting 2 months evidence of receipt



7.5.2 Short-Term Rental Income (Non-DSCR)

7.5.2.1 Eligibility (Short-Term Rental Income, Non-DSCR)

- STR income is permitted for both purchase and refinance transactions
- STR income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location

7.5.2.2 Documentation Requirements (Short-Term Rental Income, Non-DSCR)

- STR income reported on Tax returns: Schedule E net income must be used for loans using full documentation types
- STR income must be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. This form must accompany and be a part of the original appraisal
- Income must be verified through a third-party property management provider
 - Vendors such as Airbnb, VRBO, and HomeAway are acceptable
 - Documentation must include the property address or a unique property ID specific to the subject property

7.5.2.3 Calculation (Short-Term Rental Income, Non-DSCR)

- Purchases: Gross rent is based on the 75% of 1007 market rent stated in the appraisal OR the supplement appraisal form completed by the appraiser of record
- Refinances: Gross rent is the lower of:
 - 75% of 1007 term market rent from the appraisal OR 75% of the supplement appraisal form completed by the appraiser of record
 - 100% of actual 12-month STR income history, supported by documentation from Airbnb, VRBO, HomeAway, or a third-party property management provider. 12 month history is required for refinance transactions

7.5.3 Trust Income

- Income from trusts may be used if constant payments will continue as evidenced by trust income documentation:
 - If trust income is < 50% of total qualifying income, 3 years continuance is required
 - If trust income is ≥ 50% of total qualifying income, 5 years continuance is required
- See [Ancillary Non-Employment Income - Continuance](#) for limits on adjusting current distributions and continuance.
- Trust Agreement required confirming amount, distribution frequency, and duration of payments

7.5.4 Alimony Income / Child Support

- Final Divorce decree or legal separation agreement required
- Must provide payment evidence of six (6) months via cancelled checks, deposit slips, or bank records
- If Alimony / Child Support income is < 50% of total qualifying income, three (3) years continuance is required
- If Alimony / Child Support income is ≥ 50% of total qualifying income, five (5) years continuance is required



7.5.5 Note Receivable Income

- Copy of the note confirming amount and length of payment
- Must provide payment evidence of twelve (12) months via cancelled checks, deposit slips, or bank records
- Verify that the income can be expected to continue for a minimum of three years from the date of the mortgage note

7.5.6 Royalty Payment Income

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income – must document a three (3) year continuance
- Must provide payment evidence of twelve (12) months via cancelled checks or bank records / deposits

7.5.7 Retirement Income

- The following types of income documentation are required:
 - Copy of award letter or letters from the organizations providing the income and
 - Most recent two (2) months bank statements showing deposit of funds

7.5.8 Self-Employed / Wage Earner Combination for Joint Borrowers

- Joint Borrowers with one (1) wage earner and one (1) self-employed business owner can verify income separately, with the self-employed Borrower utilizing bank statements and the wage earner providing pay stubs / W-2s or WVOE
 - The wage earner 4506-C must include W-2 transcripts only
 - Combination scenario must be qualified and priced to the income verification with the largest percentage of income

7.6 ADDITIONAL EMPLOYMENT & INCOME

7.6.1 Work History

- A minimum of six (6) months of employment is required unless recently graduated from school or completion of formal training

7.6.2 Employment Gaps

- Borrower must explain any employment gaps exceeding thirty (30) days in the last twelve (12) months and sixty (60) days in the last thirteen to twenty-four (13-24) months

7.6.3 Recently transitioned W-2 to 1099

- Borrowers recently transitioned from W-2 to 1099 and contracted by the same employer in the same position do not require two (2) years 1099s if the Seller provides documentation the borrower is not responsible for additional expenses, i.e., contract
- Borrowers who remained in the same industry, but transitioned from W-2 to 1099 with a different company must be in current position for at least one (1) year



7.6.4 Ancillary Non-Employment Income – Continuance

- Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension
- IRA / Discretionary Retirement Account Distributions / Trust Distribution – Continuance
 - IRA or Trust distributions cannot be set up post application date unless the Borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify
 - Distributions must have been received for prior six (6) months to application to be considered as eligible income. Distributions that have been received for six (6) months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent > 50% of the loans total qualifying income (note this overlay to Fannie Mae).
 - One of the following types of income documentation is required:
 - Copy of award letter or letters from the organizations providing the income
 - Most recent personal income tax return with all schedules
 - Most recent W-2 or 1099
 - Most recent two (2) months bank statements showing deposit of funds

7.6.5 Restricted Stock (RSUs) and Restricted Stock Employment Income

- Allowable but must meet FNMA guidelines

7.6.6 Averaging of Bonus / Commission, 2 Years

- A two (2) year average is required; exceptions can be considered with one-year minimum history of receipt is required and must be likely to continue. Employer to document likelihood of continuance

7.6.7 Secondary Employment

- In order to use income from multiple jobs, the borrower must have a two (2) year history of having worked multiple jobs simultaneously. The borrower must have at least 12 months of consecutive employment history for all jobs used in qualifying.

7.6.8 Foreign Sources of Income

- Foreign income is income earned by a Borrower employed by a foreign government / company and not paid in US dollars. Acceptable utilization if the following criteria are satisfied:
 - Two (2) years US Tax returns reflect the foreign income
 - Income is translated to US dollars
 - Income documentation, stability and continuance requirements are met
 - Income from countries, people, and organizations under OFAC sanctions is not permissible

7.6.9 Grossing up Non-Taxable Income

- Non-taxable income to be grossed up 125%



8.0 DSCR PROGRAM (INVESTMENT PROPERTY ONLY)

8.1 DSCR CALCULATION

- DSCR qualifying calculation:
 - A Debt Service Coverage Ratio (DSCR) ratio is required. $DSCR = \text{Gross Rental Income} / \text{PITIA}$ or $DSCR = \text{Gross Rental Income} / \text{ITIA}$ for Interest-Only loans
 - DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed
- DSCR gross rent calculation:
 - Gross Income will be calculated using the lower of the executed lease agreement or market rent from applicable Appraisal
 - If executed lease agreement reflects a higher monthly rent than Appraisal, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months must be provided
- Vacant Properties:
 - Vacant properties are not eligible for Refinance with exception of properties currently vacant due to the subject property having undergone recent renovation or rehab, with the intention of being rented out soon. Support of this must be provided via the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007 schedule in the property appraisal may be used to qualify
- All DSCR loans must be business purpose. Any loan where Cash-Out proceeds would be utilized for personal use is not eligible

8.2 SHORT-TERM RENTAL INCOME (DSCR)

8.2.1 Eligibility (Short-Term Rental Income, DSCR)

- STR rental income is permitted for both purchase and refinance transactions
- STR income must be legally permitted, not prohibited by the property's HOA, and the property must be located in a resort/vacation area where short-term rentals are common

8.2.1.1 Restrictions (Short-Term Rental Income, DSCR)

- Maximum Combined Loan-to-Value (CLTV): 70%
- Minimum Debt Service Coverage Ratio (DSCR): 1.00x

8.2.2 Documentation Requirements (Short-Term Rental Income, DSCR)

- When using STR income, the 1007 market rent analysis must have been completed using short-term rents. Alternatively the appraiser may use a supplemental form to document short-term rental analysis, which must be completed by the original appraiser and part of the original appraisal report
- When a property is being refinanced, the borrower must provide STR income history from a third-party property management provider OR Vendors such as Airbnb, VRBO, and HomeAway are acceptable
 - Documentation must include the property address or a unique property ID specific to the subject property

8.2.3 Calculation (Short-Term Rental Income, DSCR)

- Purchases: Gross rent is based on 100% of the 1007 market rent from the appraisal OR the supplement appraisal form completed by the appraiser of record



- Refinances: Gross rent is the lower of:
 - 100% of the 1007 market rent from the appraisal, OR the supplement appraisal form completed by the appraiser of record reporting Short Term Rental Income, OR
 - The Actual 12-month STR income history, as supported by documentation from Airbnb, VRBO, HomeAway, or a third-party property management provider

8.3 RESERVE REQUIREMENTS (DSCR)

- Reserves are calculated off actual P&I payment plus taxes, insurance, and HOA fees (PITIA)
- For Interest-Only loans, reserves will be calculated off the initial Interest payment, plus taxes, insurance, and HOA fees (ITIA)
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- See DSCR Matrix for specific reserve requirements
- Cash-Out proceeds can be utilized for reserves on loans

8.4 EMPLOYMENT VERIFICATION (DSCR)

- Employment and other income sources should not be listed on DSCR loan applications.
- If an LOS requires an employer to be listed, it is acceptable to list "rental income from subject property" as the employer

8.5 INVESTOR EXPERIENCE (DSCR)

- The DSCR Program is available to Professional Investors with at least one borrower/guarantor meeting the below experience requirement:
 - Professional Investors must have at least twelve (12) months of experience owning and/or managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note
 - A Letter of Explanation (LOE) by the Borrower / Guarantor is required to detail relevant real estate management experience along with documentation to support (i.e. leases, Airbnb statements, etc.)
- Investors not meeting the experience requirement (First-Time Investors) are permitted with the following additional requirements:
 - DSCR > 1.0
 - Credit Score > 700
 - No exceptions on the file
 - First-Time Homebuyers not permitted

8.6 RENT LOSS INSURANCE (DSCR)

- Rent loss insurance for the subject property is required and must equal at least six (6) months of local average monthly rents
- Blanket policies covering the subject property are permitted

8.7 RECOURSE / GUARANTY (DSCR)

- Personal recourse required
- All Borrower(s) must execute the [Personal Guaranty Agreement](#) if applicable

8.8 ASSIGNMENT OF RENT (DSCR)

- 1-4 Family Rider / Assignment of Rents must be in origination file (FNMA Form 3170)



8.9 DOCUMENTATION REQUIREMENTS (DSCR)

- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the [Business Purpose & Occupancy Affidavit](#)
- All Borrower(s) must execute the [Occupancy Certification](#) or similar form

8.10 CASH-OUT (DSCR)

8.10.1 Cash-Out Seasoning (DSCR)

- Borrower must have owned the subject property 6+ months using data of original acquisition and subject loan note date for timing

8.10.2 Cash-Out Use of Proceeds (DSCR)

- Cash-Out must be used for Business Purposes only. The borrower must provide an LOE detailing the purpose and use of the proceeds.
- While maintaining the property is an acceptable use for cashout proceeds, major renovations, rehabs and/or remodels that would render the property uninhabitable for an extended period of time are not permitted
- No personal liabilities (including personal tax debt), debt against a primary residence, or cross-collateralized mortgage may be paid off as part of the transaction



9.0 ASSETS

9.1 ASSET DOCUMENTATION REQUIREMENTS

- Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent one-month (1) statement or FNMA approved third party direct pull services
- Follow FNMA guides if funds require liquidation when used for the down payment or closing costs, and if the funds are being used for reserves

9.2 ELIGIBLE ASSETS

- Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves
- Vested Retirement Accounts – 100% may be used for reserves
- Bitcoin or other forms of cryptocurrency are permitted for both funds to close, and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation
- Assets being used for dividend and interest income may not be used to meet reserve requirements
- Builder profits are not allowed
- Rent credits not permitted

9.3 LARGE DEPOSITS

- LOE is required for large deposits exceeding 100% of monthly income. If LOE is sufficient and consistent with other file information, sourcing is not required. Sourcing is required when there is any indication the large deposit may have been the result of a new liability or undisclosed gift funds
- DSCR large deposits must be consistent with the borrower's overall credit profile and will require a letter of explanation if there is any indication the large deposit may have been the result of a new liability or undisclosed gift funds

9.4 INTERESTED PARTY CONTRIBUTIONS (IPCs)

- Maximum Interested Party Contributions (IPCs) permitted up to 6%

9.5 BUSINESS ASSETS

- Business assets are an acceptable source of funds for down payment, closing costs, and reserves for self-employed borrowers. All of the following are required:
 - The borrowers on the loan must have a minimum of 25% ownership of the business and must be owners on the business account
 - Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
 - All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account
 - The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction
 - A signed letter from a CPA or Underwriter Cash Flow Analysis must also be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business; not required on DSCR loans



9.6 GIFT FUNDS

- Gifts from family members, as defined by FNMA, are permitted
 - Gift of Equity permitted for Primary Residence Purchase only. Must meet all other guidelines for gift funds
- Gift funds cannot be counted towards Reserves

9.6.1 Gift Funds Restrictions

- Purchase transactions only
- Second Homes and Investment Properties MAX: 80% LTV / CLTV
- Not permitted for Asset Depletion & Asset Utilization
- Down Payment Requirements (Minimum Borrower Contribution):
 - Gift funds are acceptable as 100% down payment for loans < 75% LTV / CLTV
 - Gift funds are acceptable for loans ≥ 75% LTV / CLTV however the underlying Borrower(s) must contribute at least 5% of the transaction (lower of Purchase Price or Appraised Value) from their own funds
 - Ex: A \$500,000 purchase price where the LTV / CLTV is going to be 75% or higher would require the borrower to have \$25,000 of their own funds provided ($\$500,000 \times .05 = \$25,000$)

9.7 OTHER ASSET SOURCES

9.7.1 Life insurance cash value

- Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves

9.7.2 Foreign Assets

- Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided
- Assets from countries under OFAC sanctions are not permitted

9.7.3 Non-borrowing Spousal Joint Accounts

- Allowable with joint access letter. If the loan is a bank statement loan, non-borrowing joint account holder affidavit is required to ensure no deposits by that non-Borrower is included as income
- Asset Depletion & Asset Utilization: All account holders must be borrowers on the loan to use joint asset accounts

9.7.4 Restricted Stock

- Restricted stock is ineligible for to be used for reserves unless liquidated to cash

9.7.5 Sale of Personal Assets

- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting Borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and Borrower's receipt of sale proceeds



9.7.6 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.
- The borrower and/or employer may not be in any way affiliated with the property seller

9.7.7 1031 Assets

- Funds held by a 1031 administrator / agent are permitted for down payment and closing costs on investment properties only. 1031 funds may not be used for reserves.



10.0 LIABILITIES

10.1 DEPARTURE / DEPARTING RESIDENCE:

- The STG Mortgage Eclipse Program provides borrowers with enhanced options when considering their departure residence expenses in DTI calculations. When using these options, there is an increased likelihood of an early pay-off. The borrower and originator must sign an acknowledgement that the early pay-off (EPO) window is extended by 90 days for a total of 271 days from the first payment date. The underwriter shall request this prior to final docs

10.1.1 Converting to a Rental

- Positive Departure residence rental income cannot be used to qualify. Rental income may only be used to offset payment.
- Departure residence PITIA / ITIA can be offset by 75% of the projected net rental income amount from a 1007. Alternatively, if subject is recently rented, a copy of two of the following is acceptable:
 - First month's rent
 - Last month's rent
 - Security deposit
- Departure residence rental income that produces a loss must be included in DTI.
- When using this option, acknowledgement of the 271 day EPO window from both originator and all borrowers is required prior to closing

10.1.2 Departure Residence Obligation Can Be Excluded (If No Contract in Place)

- Currently listed or signed letter of intent from Borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction
- Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of twenty (20%) equity after deduction of outstanding liens to exclude the payment from the DTI. If there is less than twenty (20%) equity, the full payment must be included in the DTI
- Required reserves for the departure residence are in addition to the standard reserve requirements and not subject to the 12-month maximum. They are based on the marketing time indicated by the departure residence appraisal:
 - If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA / ITIA
 - If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA / ITIA
- When using this option, acknowledgement of the 271 day EPO window from both originator and all borrowers is required prior to closing

10.1.3 Departure Residence Obligation Can Be Excluded (If Under Contract)

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared / satisfied. The departure transaction must be closing within thirty (30) days of the subject transaction. The pending sale transaction must be arm's length
- No appraisal required for departure residence. The Borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the Borrower may have to bring to closing on the sale of the departure residence
- When using this option, acknowledgement of the 271 day EPO window from both originator and all borrowers is required prior to closing



10.2 PROPERTY TAX ESTIMATES FOR NEW CONSTRUCTION

- Property taxes must be calculated using 1.5% of sales price for qualification (1.25% in California). Use of other property tax rates is allowed provided the rates are documented in the file. If other documentation in the file indicates a higher tax amount, the highest amount must be used in qualifying

10.3 STUDENT LOAN

- If a monthly student loan payment is provided on the credit report, that amount may be used for qualifying purposes. If the credit report does not reflect the correct monthly payment, reflects the account as a deferred student loan, or if the credit report shows \$0 as the monthly payment, then the qualifying monthly payment must be determined using one of the options below:
 - A payment equal to 1.0% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment)
 - Fully amortizing payment using the documented loan statement or repayment terms
 - For borrowers eligible for an income driven repayment plan, the amount of the payment the borrower will pay once forbearance has ended as documented by a repayment calculator from the servicer
- Under no circumstance may a \$0 monthly payment be used in qualifying for any student loan with a balance

10.4 SOLAR LEASES

- Must conform to FNMA guidelines
- PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible

10.5 PAYOFF OF DEBT TO QUALIFY

- Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with one (1) of the following:
 - Credit supplement
 - Verification from the creditor liability as paid in full
 - Evidence of payoff on Closing Disclosure
- Debts must be paid-off in order to be excluded from qualifying. They may not be paid-down.

10.6 DEBTS PAID BY OTHERS / CONTINGENT LIABILITIES

- Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for twelve (12) months (0x30). Any liability related to separation or divorce can be omitted if ordered by family court. Documentation from the court is required

10.7 OBLIGATIONS PAID BY BUSINESS

- Excludable if can be tied to business related activities (i.e., – vehicle) and twelve (12) months (0x30) proof that business pays. Expense must be evident on business financials, and the borrowing entity is an individual



11.0 UNDERWRITER ANALYSIS

All loan files must contain documentation to evidence how the underwriter arrived at their qualifying calculations and decision. This includes income calculations, explanations for excluded debts, and any required credit explanations.

11.1 COMPENSATING FACTORS

- For loans which require an underwriting exception, the file must contain at least two (2) compensating factors to offset the risk of the exception.
- Acceptable compensating factors include, but are not limited to:
 - FICO score above program minimum by twenty (20) points or higher
 - DTI below program maximum by 5% points or greater
 - PITIA / ITIA reserves above program minimum by six (6) months or higher
 - Reduction in housing payment by 10% or greater
 - Increase in residual income by 10% or greater
 - Residual income \$1,000 above the program minimum required
 - 0 X 30 X 24-month housing history
 - Five (5) years minimum in subject property
 - Job stability of five (5) years or more

11.2 EXCEPTIONS

- Exceptions to the STG Mortgage Lending Guidelines for Eclipse Products may be considered on a case-by-case basis. Loans with exception requests must exhibit strong documented compensating factors as seen in [Compensating Factors](#) and are subject to additional LLPA's. Exceptions may take up to three (3) business days for processing

11.3 RESIDUAL INCOME

- Residual income equals Gross Qualifying Income Less Monthly Debt (as included in the debt-to-income ratio)
- Residual income is required if the loan is HPML, or if the DTI exceeds 43%. Borrowers must have a minimum monthly residual income as required below:

in Household - Required Amount
1 - \$1,500
2 - \$2,500
Add \$150 for each additional household member

11.4 DOCUMENTATION AGE

- Unless otherwise stated in this guide, all credit documents including credit report, income docs, and asset statements must be dated no more than One Hundred Twenty (120) days prior to the note date. The note date is utilized for document expiration for all funding types



12.0 APPRAISALS & PROPERTIES

12.1 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

12.1.1 Appraiser Selection

- The seller must have 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
- All appraisals must be ordered through an Appraisal Management Company (AMC)

12.1.2 Appraiser Independence Requirements

- Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties
- No one involved in the transaction may ask appraisers to report a predetermined value or withhold disclosure of adverse features
- Appraisers may not be employed by the originator, lender, borrower, or realtor on the transaction
- All appraisals must comply with Appraiser Independence Requirements as outlined by Fannie Mae at <https://singlefamily.fanniemae.com/property-valuation/appraiser-independence-requirements>

12.1.3 Junior/Apprentice Appraiser Requirements

- In most states, to obtain licensure as an appraiser, the applicant must complete a significant period working as an apprentice under a fully licensed appraiser. Certain appraisal work may be completed by these unlicensed or uncertified appraisers who work as an employee or subcontractor of a licensed appraiser. Work from these appraisers is subject to the following requirements:
 - The appraisal report is signed by a licensed or certified appraiser and is acceptable under state law
 - A supervisory appraiser or any licensed 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

12.2 APPRAISAL REGULATORY REQUIREMENTS

- A completed appraisal report is required on all loan transactions to assess the adequacy of the property as collateral. The following requirements apply to all appraisals:
 - Appraiser provided with the ratified sales contract and other financing or sales concessions that are associated with the transaction
 - Appraiser Independence Requirements published by Fannie Mae/Freddie Mac adhered to
 - Federal Truth in Lending Act and Regulation Z with respect to valuation independence adhered to
 - Appraiser provides an accurate opinion, an adequately supported value, and an accurate description of the property



- Appraiser uses sound reasoning and provides evidence to support the methodology used for developing the value opinion
- 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
- Appraiser provides his or her license or certification on the appraisal report
- Borrower has been provided a copy of the appraisal at least 3 full business days prior to closing. For example: if the appraisal is delivered on Monday, the soonest the transaction may close is Thursday
- For HPML Transactions, a full appraisal is provided in all circumstances, and for flip transactions, 2 full appraisals must be ordered. For details, see [Higher Priced Mortgage Loan \(HPML\) Transactions](#)

12.3 APPRAISAL FORMS

- 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, when applicable:
 - Uniform Residential Appraisal Form (Fannie Mae Form 1004)
 - Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073)
 - Appraisal Update and/or Completion Report, which is also used for Disaster Inspections (Fannie Mae Form 1004D)
 - Single Family Comparable Rent Schedule for all 1-unit investment properties (Fannie Mae Form 1007)
 - Small Residential Income Property Appraisal Report (Fannie Mae Form 1025)
- Detached Condos (Site-Condos) may use either form 1004 or 1073 as the appraiser deems appropriate

12.4 APPRAISAL REPORT REQUIREMENTS

- The following items must be contained in the appraisal report:
 - Street map showing the location of the subject property and all comparables 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 of the front, street, and rear views of the subject property.
 - Interior color 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.
 - 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 assumptions and limiting conditions signed by the appraiser
 - If short-term rental income is being used to qualify, a short-term rental market analysis with market rent determination must be completed (if not completed by the appraiser, one completed by an Appraisal Management Company (AMC) is acceptable)
 - If any of the following concerns exist, appraiser must address: Rapid property appreciation, property condition concerns, questionable comparables, unusual financing terms, market volatility, zoning or legal issues and or potential red-flags or appraisal inconsistencies



12.5 APPRAISAL REVIEW – SECONDARY VALUATION REQUIREMENTS

- An appraisal review product is required on every loan file unless a full second appraisal is obtained. The appraisal review product should provide an “as is” value for the subject property as of the date of the subject loan transaction
- The Appraised Value (or lowest if two are required) is the only value used to determine the property value for the subject loan. Any secondary valuation products are provided only to support the value of the origination appraisal and are not meant to be used as a substitute value for the property
- The following are available options for secondary valuation products:

STG Mortgage Standard Requirements Appraisal Review Specifications	
Loan Amount ≤ \$2,000,000	<p>Option #1</p> <ul style="list-style-type: none"> • Provide a UCDP Submission Summary Report (SSR) with a score ≤ 2.5 from one of the following: <ul style="list-style-type: none"> ○ Fannie Mae Collateral Underwriter (CU) ○ Freddie Mac Loan Collateral Advisor (LCA)
	<p>Option #2</p> <ul style="list-style-type: none"> • If UCDP/SSR Score > 2.5 or the score is unavailable, provide one of the following: <ul style="list-style-type: none"> ○ Collateral Desktop Analysis (CDA) from Clear Capital ○ Appraisal Risk Review (ARR) from Pro Teck ○ Field Review Appraisal from a State Licensed Appraiser ○ 2055 Exterior Appraisal • Review appraisal products which exceed the original appraised value are permissible regardless of percentage differential • If the review appraisal product is unable to support the original valuation within 10% when LTV ≤ 85% or within 5% when LTV > 85%, 2nd full appraisal required • CDA reports with a Risk Score of High are not eligible to be used, even when the valuation is within 10% of the original appraisal
	<p>Option #3</p> <ul style="list-style-type: none"> • Provide a 2nd full appraisal, LTV calculated using the lower of the 2 appraisals. No further valuation products required
Loan Amount > \$2,000,000	<ul style="list-style-type: none"> • 2 full appraisals required. LTV calculated using the lower of the 2 appraisals. No further valuation products required

12.5.1 Rapid Appreciation and Recent Acquisitions

- Properties acquired by the seller in the most recent 365 days with property appreciation of > 10% are subject to the additional requirements in [Flip Transactions](#)

12.5.2 Additional Appraisal Requirements

- Legal non-conforming zoned properties must indicate that the subject property can be 100% rebuilt if it is severely damaged or destroyed
- Appraisals with condition or quality ratings of C5 or C6 are not eligible
- Form 1007 Schedule of Rents is required for all Investment Property loans on Single Family residences even if rent is not being used to qualify



12.6 AGE OF APPRAISAL AND APPRAISAL UPDATES

- Appraisals and appraisal recertifications must be no older than 120 days at the time of closing. The effective date of the appraisal shall be used in determining the appraisal's expiration date.
- For recertified appraisals, the original appraisal effective date may be no older than 12 months at the time of closing

12.6.1 Appraisal Recertification

- When the appraisal will be more than 120 days old at the time of closing, a recertification of value may be performed and should meet the following requirements:
 - Completed on Form 1004D
 - Completed by original appraiser
 - Exterior inspection completed by appraiser
 - Appraiser categorically states that the value has not declined since the original appraisal
 - Original appraisal must be in the name of the borrower
- If the value has declined a new appraisal is required
- If original appraiser is not available a substitute appraiser may be used. When recertification is not completed by the original appraiser, 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. The file must be noted as to why the original appraiser was not used.
- Appraisals being recertified may be no older than 12 months at the time of closing.
- Transferred appraisals are not eligible to be recertified

12.7 TRANSFERRED APPRAISAL REQUIREMENTS

- Transferred appraisals are permitted for loan amounts up to \$3.5MM. All transferred appraisals must meet ALL of the following requirements:
 - Appraisal must be in the name of the borrowers
 - Appraisal must have been ordered through an Appraisal Management Company (AMC)
 - Investment property appraisal transfers are only permitted when the appraisal was ordered by a well known nationwide lender
 - Originating lender must provide documentation stating that they have complied with all appraisal independence requirements
 - Transferring lender must provide a letter transferring the appraisal ownership and rights to STG Mortgage. See [Appraisal Transfer Letter Requirements](#) for additional requirements
 - Transferring lender or AMC letter must either state that a Reconsideration of Value disclosure was provided at the time of appraisal delivery or provide a copy of the Reconsideration of Value disclosure that was sent to the borrower at time of appraisal delivery. The disclosure is not required to be signed
 - File must contain both the PDF and XML versions of the transferred appraisal
 - File must contain a copy of the submission summary reports (SSR) from both FNMA and FHMLC
 - File must contain documentation proving the date the appraisal report was delivered to the borrower. If this cannot be obtained, STG Mortgage (or the originating correspondent) must provide a copy of the appraisal to the borrower at least 3 full business days prior to closing
 - Transferred appraisals may NOT be recertified and must be no more than 120 days old at the time of closing
 - Appraisals completed by staff, in-house, or lender/bank employed appraisers are not acceptable to be transferred



- Loans which require multiple appraisals, may only transfer in one (1) appraisal. The other appraisal must be ordered by STG Mortgage
- For correspondent originations, the transfer letter may be addressed to the name of the STG Mortgage approved correspondent that is originating the transaction

12.7.1 Appraisal Transfer Letter Requirements

- A transfer letter must be provided on the letterhead of the transferring lender and contain the following:
 - Current Date
 - Borrower Name
 - Property Address
 - A statement transferring appraisal to STG Mortgage (or the approved STG Mortgage correspondent originating the loan)
 - The person signing transfer letter may not be a Loan Officer, Loan Officer Assistance, or Processor
 - The transferring lender must acknowledge that their appraisals are compliant with Appraisal Independence Requirements (The AIR policies may be provided on a separate letter from the transfer letter, provided the combination of the transfer letter and supplementary documentation confirms that the appraisal being transferred is fully AIR compliant)
- For correspondent originations, the transfer letter may be addressed to the name of the STG Mortgage approved correspondent that is originating the transaction

12.8 DECLINING MARKETS

- Properties in declining markets as determined by any of the appraisals in file including other third-party valuation (i.e., Desk Review, BPO, AVM, etc.) will require a 5% reduction to the MAX LTV/CLTV permitted within the loan matrices

12.9 FEMA DISASTER AREAS

- Sellers are responsible for identifying areas impacted by disasters and ensuring that subject property has not been adversely impacted
- A list of federally declared disaster areas may be found on the FEMA website at <https://www.fema.gov/disaster>
- In addition, when there is knowledge of an adverse event occurring near or around the subject property, including but not limited to earthquakes, floods, tornadoes, or wildfires, additional due diligence is required to determine when the disaster area guidelines must be followed
- Guidelines for disaster areas must be followed ninety (90) days from the incident period, unless a completed appraisal dated post-incident is provided

12.9.1 Appraisal Completed Prior to Disaster

- Appraisal update or final inspection from the appraiser must be obtained
- Damage that impacts the safety or habitability of the property or damage in excess of \$2,000 is not permitted and must be repaired

12.9.2 Appraised After Disaster Incident

- Appraiser must comment on the adverse event and any effect on marketability or value
- Damage that impacts the safety or habitability of the property or damage in excess of \$2,000 is not permitted and must be repaired



12.9.3 Disaster Incident Occurs After Closing, Prior to Funding

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck must be provided
- Any indication of damage reflected on the report will require a re-inspection by the appraiser
- Damage that impacts the safety or habitability of the property or damage in excess of \$2,000 is not permitted and must be repaired

12.9.4 Post Disaster Verbal Verification of Employment (VVOE)

- Seller must obtain a new Verbal Verification of Employment (VVOE) if the disaster event occurs after the original VVOE was completed
- Borrower must still be employed at the same employer listed on the initial 1003 and continuing to receive the same amount of income

12.10 ELIGIBLE AND INELIGIBLE PROPERTY TYPES

- Refer to the respective product matrix for eligible property types

12.11 HAZARD INSURANCE (1-4 UNIT PROPERTIES)

- 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, or the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date.
- All other coverages/property types follow FNMA policy

12.12 FLOOD INSURANCE (1-4 UNIT PROPERTIES)

- The minimum amount of flood insurance required for first mortgages must be equal to the lesser of
 - 100% of the replacement cost value of the improvements,
 - the maximum coverage amounts available from NFIP, or
 - the unpaid principal balance (UPB) of the loan (or loan amount at the time of origination)
- All other coverages/property types follow FNMA policy

12.13 CONDOMINIUM PROJECTS

- Warrantable and Non-Warrantable Condominium projects are eligible
- Reviews of Warrantable Condo Projects must follow the Fannie Mae (FNMA) Selling Guide, unless additional criteria are specified, and Non-Warrantable reviews must follow Full Review and Non-Warrantable Condo criteria
- Alternatively, STG Mortgage will accept a full condo project certification from InterIsland Condo Review Corporation. Files documented with a paid receipt and condo warranty from InterIsland do not require a separate certification from the underwriter. InterIsland may be contacted at: <https://condoreviews.com/>
- Project review is waived for the following project types but must follow Fannie Mae Guides for acceptability
 - Detached Unit in a New or Established Condo Project
 - Unit in a PUD project
 - Unit located in a New or Established Two-to-Four Unit (2-4) Condo project (Borrower/Entity Owners may not own more than two units in any Two-to-Four Unit (2-4) project)



12.13.1 Documentation Requirements

- HOA Condominium Questionnaire is required for all units in a condo project. A new review is required for each loan transaction
- The underwriter must certify, either on the 1008 or on a separate document, that the condo is warrantable or non-warrantable within guidelines.
- Master insurance certificate including HO6, along with all required coverages (all projects)
- Current Budget (Full Review)
- Recorded declarations/CC&R's and by-laws
- Additional documentation may be required by underwriting to complete project review

12.13.2 Review Status Eligibility Types

- Fannie Mae Project Eligibility Review Service (PERS) Approval
 - New and Existing Condominium Project Approvals are acceptable
 - Evidence of the PERS final project approval must be current through the Note date and included in the Mortgage loan file
- Condominium Project Manager (CPM) Approval
 - The project must have a valid, unexpired CPM Seller Certification as of the date of the Note and a copy must be in the Mortgage Loan file. The CPM status designation must reflect a designation that is eligible
 - In addition, there must not be any change of circumstances since the project information was submitted to CPM that would result in the project not satisfying Fannie Mae's eligibility criteria
 - Note: Loans secured by units in projects with a status of "Unavailable" in Condo Project Manager (CPM) are ineligible unless granted an exception for their non-warrantable characteristics under the non-warrantable program guidelines

12.13.3 Ineligible Condominium Projects

The following are ineligible:

- Manufactured homes
- Any project where more than 15% of the units have special assessments that are 60 or more days past due
- Condotels, including projects with registration services and/or projects that operate as motel/hotel
- Projects Subject to Split Ownership Arrangements
- Projects that Contain Multi-Dwelling Unit Condos or Co-ops
- Projects with Property that is not Real Estate
- Projects that Operate as a Continuing Care Community or Facility
- Non-Incidental Business Arrangements
- Commercial Space and Mixed-Use Allocation
- Recreational Leases and Mandatory Memberships
- Live-Work Projects
- Litigation or Pre-litigation Activity
- Single-Entity Ownership exceeding 30%
- Projects in Need of Critical Repairs
- Projects Terminating or Involved in Insolvency Proceedings



12.13.4 Expiration Dates for Project Reviews

Project Review Process Employed	Expiration of Project Review
Full Review for Established Projects	CPM/PERS must have been completed within one year prior to the note date - A new questionnaire is required for each loan transaction as well the Condo Project Certification
Full Review for New Projects	CPM/PERS must have been completed within 180 days prior to the note date - A new questionnaire is required for each loan transaction as well the Condominium Project Certification
Approved by Fannie Mae as reflected in CPM	CPM/PERS Must be valid (unexpired) as of the note date - A new questionnaire is required for each loan transaction as well the Condominium Project Certification

- Loans secured by units in projects that did not meet Fannie Mae's eligibility requirements as of the note date may still be delivered after the project becomes compliant, provided all of the following are met:
 - The project meets applicable Fannie Mae eligibility requirements at the time of delivery
 - All standard mortgage seasoning and other loan-specific requirements are satisfied
 - Example: If a loan closes in a new project that does not yet meet Fannie Mae's pre-sale requirement, the loan may be delivered once the pre-sale threshold is met and all other criteria are fulfilled

12.13.5 Florida Condo Requirements

Per Florida Statute 553.899, condominiums of 3 stories or higher are required to complete a Structural Engineering & Safety Report based upon its distance from the coastline along with its original construction completion date. Condominiums of 2 stories or less are not required to have this report completed, regardless of age or distance from the coastline. The table below outlines the age & coastline distance criteria that determine the date when the condominium is required to have this report completed. When the table indicates an inspection report has already become due or will become due before closing, then a copy of the inspection report must be included in the condo review.

STG Mortgage Standard Requirements Inspection Requirements for 3+ Story Condominium Projects Within 3 Miles of Coastline	
Project Completion Date	Inspection Report Required by Date
Prior to July, 1997	12/31/2024
Between July 1, 1997 and December 31, 2000	12/31/2025
January 1, 2001 and later	December 31 of the year it becomes 25 years old

STG Mortgage Standard Requirements Inspection Requirements for 3+ Story Condominium Projects NOT Within 3 Miles of Coastline	
Project Completion Date	Inspection Report Required by Date
Prior to July 1, 1992	12/31/2024
Between July 1, 1992 and December 31, 1995	12/31/2025
January 1, 1996 and later	December 31 of the year it becomes 30 years old



For any condominium building required to have the report completed prior to the loan closing date, provide:

- A Milestone Inspection Report (Structural Engineering Safety Report), which is required to evaluate key elements of the building's safety and soundness.
- For any elements found to be deficient, provide evidence the repairs/remediation have been completed and that the safety/soundness of the deficient element has been resolved.

12.13.6 Restrictions to Non-Warrantable Condominium Projects

- Combining of non-warrantable features are not permitted
- A single owner / entity may not own more than 30% of the units
- Commercial space must be typical to the market, have no negative impact and comprise 49% or less of project space
- Investor concentration must be at or below 70%
- No more than 25% of the total units in the project may be 60 days or more past due on their condo / HOA dues. This figure includes delinquencies for special assessments
- Properties with significant deferred maintenance or critical repairs must adhere to FNMA criteria
- Borrower must carry HO-6 coverage covering the replacement of items inside the unit. Master policy from association may also have walls in coverage, and if so, that will satisfy the requirement
- If the project is located in a flood zone requiring insurance (per FNMA), both the subject property and complex must have adequate flood insurance
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal
- Mandatory dues not permitted
- All common areas must be 100% complete
- HOA must be in control. Projects under builder, developer control are not permitted
- HOA reserves must demonstrate a minimum of 10%. No exceptions will be considered on this, even with a reserve study
- Projects involved in litigation are acceptable as long as the pending lawsuit(s) are not
 - Structural in nature
 - Do not affect marketability of the units
 - Potential for damages do not exceed 25% of the HOA reserves OR with documentation from the insurance carrier and attorney representing the HOA or insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance is sufficient to cover the litigation



13.0 DOING BUSINESS WITH STG MORTGAGE

13.1 LOAN PURCHASE ELIGIBILITY POLICY

STG Mortgage has a zero-tolerance policy as it relates to fraud. STG Mortgage follows its own established fraud and identity procedures on every loan to prevent and detect fraud (including, but not limited to, Social Security number verification, verbal verifications of employment, processing of 4506-C, etc.). Loans containing fraudulent documentation or information will immediately be rejected and forwarded for further review. If there is any determination of client involvement, the client will be made inactive, and the appropriate agencies notified. It is the originator's responsibility to ensure that all loans it originates comply with all federal, state, and local laws applicable to the origination and sale of mortgage loans.

13.2 FAIR LENDING STATEMENT

STG Mortgage operates in accordance with the provisions of the Fair Housing Act and Equal Credit Opportunity Act. The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap, or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the borrower has the capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act. STG Mortgage fully supports the letter and spirit of both of these laws and will not condone discrimination in any mortgage transaction.

13.3 RESPONSIBLE LENDING STATEMENT

The primary focus of this lending program is the borrower's ability to repay the mortgage obligation. Mortgage Loans acquired or funded by STG Mortgage must be affordable to the borrower in his or her pursuit of homeownership.

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

If a Mortgage Loan is subject to the ATR rules under the Federal Truth In Lending Act ("TILA"), lenders must consider eight underwriting factors to be compliant:

- 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 loan 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.



STG Mortgage will not fund or purchase 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 STG Mortgage may choose to purchase a loan that does not adhere to the formal requirements of the ATR rule, STG Mortgage will only fund or purchase loans that the applicant appears able to afford based on application of prudent underwriting standards. DSCR loans are not subject to the Ability to Repay (ATR) standard.

13.4 UNDERWRITING PHILOSOPHY

- The STG Mortgage Lending Guidelines for Eclipse Products is intended to reference and supplement Fannie Mae's Seller Guide. Refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced herein

13.4.1 Proof of Agency Ineligibility (Anti-Steering & Best Interest of the Borrower)

All Eclipse programs require that the loan program be reasonably suitable for the borrower's financial situation. For 24-Month Full-Doc loans at loan amounts which appear eligible for Fannie Mae or Freddie Mac financing, the file should contain evidence that the loan is either ineligible for agency financing or that better fees, pricing, or loan terms are available with the Eclipse Non-QM program.

Loans with any of the following characteristics do not require any proof of being agency ineligible as Fannie Mae/Freddie Mac do not offer these loan options:

- Alt-Doc Income.
- 12-Month Full-Doc Income.
- DSCR Qualifying.
- Interest-Only.
- 40 year Amortization.
- Loan Amount Exceeds Agency Limits.
- Non-Warrantable Condo (including Condotel).

Proof of agency ineligibility may be provided with an AUS which shows Ineligible or a Letter of Explanation describing which Agency Guideline the loan is unable to meet. Alternatively, proof that Eclipse Non-QM program Fees, Pricing or Loan Terms are superior to those available from Fannie Mae/Freddie Mac is acceptable to document Anti-Steering.

13.5 LICENSING

STG Mortgage originates loans where it is properly licensed or where no license is required. The regulatory requirements and legal interpretations may change frequently. Please visit <https://stgmortgage.com/licenses/> for the state license numbers, the latest information on STG Mortgage's licensed states and where STG Mortgage is permitted to originate DSCR loans without a license.

For all Non-DSCR transactions, STG Mortgage only works with licensed mortgage originators (MLOs) who are registered in the NMLS system and properly licensed both nationally and in the subject property state.

For DSCR Transactions, STG Mortgage complies with all state laws and requires MLOs to be licensed if state law mandates it. For states which do not require MLO licensure on DSCR transactions, STG Mortgage will permit non-licensed individuals to originate DSCR transactions in compliance with state law. Visit

<https://stgmortgage.com/licenses/> for a comprehensive list of state licensing requirements and exemptions.



13.6 EQUAL HOUSING LENDER

STG Mortgage is an Equal Housing Lender. As prohibited by federal law, we do not engage in business practices that discriminate on the basis of race, color, religion, national origin, sex, marital status, age (provided you have the capacity to enter into a binding contract), because all or part of your income may be derived from any public assistance program, or because you have, in good faith, exercised any right under the Consumer Credit Protection Act. The federal agency that administers our compliance with these federal laws is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC, 20580.

13.7 STG MORTGAGE LOSS PAYEE

STG Mortgage Inc. ISAOA/ATIMA
18401 Von Karman Avenue
Suite 440
Irvine, CA 92612
STG Loan #

13.8 TAXES & INSURANCE DUE AT CLOSING

STG Mortgage requires that any property tax bills or insurance bills which will become due within 60 days of closing be paid as part of the transaction.

If taxes on the subject property are due and payable within 60 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy.

If a title company requires an escrow account when the due date is beyond 60 days, then all parties must adhere to the title company's requirements.

13.9 HOMEOWNERS ASSOCIATION DUES

HOA dues must be current or paid current at time of closing.

13.10 FRAUD REVIEWS

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

13.11 ESCROW ACCOUNTS

Escrow/Impound accounts are required for any of the following loan scenarios:

- LTV greater than 80%
- Properties located in flood zones (excluding Condos and PUDs covered by a master flood policy)
- Higher Priced Mortgage Loans (HPML). For details, see [Higher Priced Mortgage Loan \(HPML\) Transactions](#)



13.12 ESCROW HOLDBACKS

- Escrow holdbacks are not allowed.

13.13 HIGHER PRICED MORTGAGE LOAN (HPML) TRANSACTIONS

HPML regulations apply to primary residence transactions only. Second Homes and Investment Properties are not subject to HPML restrictions.

Loans identified as Higher Priced Mortgage Loans must comply with the HPML 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/>

Specifically, every HPML loan is subject to the following regulatory requirements:

Regulatory Requirements Higher Priced Mortgage Loan (HPML) Transactions
<ul style="list-style-type: none"> • File contains at least 1 full interior/exterior appraisal (Hybrid and Desktop Appraisals not permitted). • Loan contains escrows for taxes and insurance. • Borrower has been provided with a copy of the appraisal at least 3 full business days prior to closing. For example: if the appraisal is delivered on Monday, the soonest the transaction may close is Thursday.

13.14 HIGH COST

- Federal, State, and Local High-Cost Loans are not permitted. Cured High-Cost loans are also not eligible

13.15 ASSUMABILITY

- Fixed rate loans are not assumable
- Adjustable-rate loans may be assumable depending on Note

13.16 MAXIMUM FINANCED PROPERTIES

The cumulative maximum number of financed properties for all borrowers on the loan is 10. The number of financed properties includes:

- All 1-4 unit residential properties where borrower is personally obligated on the mortgage (even if the monthly housing expense is excluded from DTI, such as a contingent liability)
- The borrower's principal residence

The following property types are not subject to the maximum financed property limitations:

- Commercial/Industrial real estate
- Multi-family properties that have 5 or more units
- Timeshares
- Any type of vacant lot, residential or commercial
- Mobile homes that have not been converted to real property with the local tax assessor



13.17 POWER OF ATTORNEY

- Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA
- Not permitted on Entities: LLC, Corporations, Entity Borrowers, etc.
- Not permitted on Cash-Out transactions

13.18 E-SIGNATURES

- E-signatures are permitted with the exception of the following documents: Note, Mortgage, Deed of Trust, Closing Disclosure, Power of Attorney, documents that require a Notary signature, Riders / Addendums, and any state regulated disclosures. These documents require a wet signature



14.0 COMMONLY REQUIRED FORMS

14.1 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 investment 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. §§ 1901 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.



BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT continued

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 business organization or any family member.

Borrower(s) / Borrowing Entity Members:

_____ Date: _____

_____ Date: _____

NOTARY PUBLIC

STATE OF: _____

COUNTY OF: _____

The foregoing instrument was acknowledged before my by: _____

this _____ day of _____

Witness my hand and official seal

Notary Public

Print or Type Name

My Commission Expires: _____

(Seal): _____



14.2 PERSONAL GUARANTY AGREEMENT**PERSONAL GUARANTY AGREEMENT**

THIS GUARANTY AGREEMENT (this "Agreement") dated this [_____] day of [_____, 20____] made by [_____] ("Guarantor"), for the benefit of [_____] (LENDER), having a mailing address of [_____] (ADDRESS) ("Lender").

Background

WHEREAS, [_____] ("Borrower") and Lender have executed a Promissory Note of even date herewith (the "Note") in the sum of [_____] (AMOUNT IN WORDS) and [00]/100 [\$ _____] (NUMERICAL AMOUNT) (the "Loan"). The Loan is secured by, inter alia, that certain Security Instrument (the "Security Instrument"), executed by Borrower in favor of Lender, and encumbering certain real property and any improvements thereon

WHEREAS, as a condition of making the Loan, Lender is requiring this Agreement to be executed, and the making of the Loan to Borrower by Lender is of material benefit to Guarantor. In order to induce Lender to make the Loan evidenced by the Note for the benefit of Borrower, Guarantor is willing to guarantee and become surety for the performance by Borrower of its obligations under the Loan Documents, as more particularly described herein. This Agreement, the Note, the Security Instrument, and any other document executed and delivered in connection with the Loan (as same from time to time may be amended, restated, and extended) are sometimes individually referred to herein as a "Loan Document" or collectively as the "Loan Documents".

CAPITALIZED TERMS WHICH ARE NOT OTHERWISE DEFINED IN THIS AGREEMENT SHALL HAVE THE SAME MEANING AS SET FORTH IN THE LOAN DOCUMENTS.

Agreement

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor hereby agrees as follows:

1. Guarantor hereby irrevocably, unconditional and absolutely guarantees to Lender and becomes surety for (a) the prompt payment of the principal sum due to Lender from Borrower under the Note at any time and from time to time, together with all interest thereon, (b) the prompt payment of all other sums due to Lender under the terms of the Note and the other Loan Documents and (c) the prompt and complete compliance with and performance by Borrower of all representations, warranties, covenants, agreements and other obligations to Lender under the terms of any and all of the Loan Documents (the payment, compliance and performance obligations hereinabove guaranteed by Guarantor are hereafter collectively referred to as the "Guaranteed Obligations").
2. This Agreement is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Agreement shall remain in full force and effect until all of the Guaranteed Obligations are fully, finally, and irrevocably paid, complied with and performed, and shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by Lender (or compliance with, or performance of, the Guaranteed Obligations is rescinded) upon the insolvency, bankruptcy, or reorganization of Borrower or otherwise, all as though such payment, compliance or performance had not been made or tendered. This



Agreement may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after Guarantor's death (in which event this Agreement shall be binding upon Guarantor's estate and Guarantor's legal representatives and heirs). The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Agreement may be enforced by Lender and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note. Guarantor shall be liable for all of the Guaranteed Obligations.

3. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Guarantor shall immediately pay, comply with, and perform such of the Guaranteed Obligations as Lender shall direct, irrespective of whether the Guaranteed Obligations directed by Lender to be paid, complied with and performed by Guarantor are those which give rise to the Event of Default.
4. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace period set forth therein, Lender shall have the right to require Guarantor to pay, comply with and perform the Guaranteed Obligations and shall have the right to proceed immediately against Guarantor for such payment, compliance and performance without being required to make any demand upon or bring any proceeding or take any other action of any kind against Borrower, any guarantor under any other guaranty, or any other person or entity in connection with any of the Loan Documents, or resort to or seek to realize upon the security held by Lender, as a condition precedent to bringing an action upon this Agreement against Guarantor, the liability of Guarantor hereunder being a primary obligation of Guarantor and independent of and separate from the liability of Borrower. This Agreement shall be deemed an agreement of suretyship.
5. If an Event of Default occurs under any of the Loan Documents and continues beyond any applicable notice and grace periods set forth therein, Lender may, and is hereby authorized at any time and from time to time, without notice to Guarantor (any such notice being expressly waived by Guarantor and to the fullest extent permitted by law, to set off and apply any and all deposits, general or special, time or demand, provisional or final, at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Guarantor, against any and all obligations of Guarantor now or hereafter existing under this Agreement, irrespective of whether or not Lender shall have made any demand under this Agreement and although such obligations may be contingent or un-matured. Lender agrees to notify Guarantor after such setoff and application made by Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.
6. Until all of the Guaranteed Obligations are completely fulfilled to the satisfaction of Lender and each and every one of the terms, covenants, and conditions of this Agreement are fully performed, the liability of Guarantor under this Agreement shall in no way be released or affected by:
 - a. any act or circumstance which might, but for this paragraph, be deemed a legal or equitable discharge of any guarantor or surety, or
 - b. reason of the alteration, extension, modification, endorsement, release or waiver of any Loan Document or any of the terms, covenants and conditions contained in any Loan Document, or
 - c. reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender or its failure to proceed promptly or otherwise with respect to the Guaranteed Obligations or this Agreement, or
 - d. the commencement, existence or completion of any proceeding against Borrower or otherwise related to the collection and enforcement of the Guaranteed Obligations, or
 - e. reason of any action taken or omitted or circumstance which might vary the risk or affect the rights or remedies of Guarantor with respect to the Guaranteed Obligations or this Agreement.Guarantor hereby expressly waives and surrenders any defenses to its liability hereunder based upon any of the foregoing acts, omissions, agreements, or waivers of Lender, it being the purpose



and intent of the parties hereto that the obligations of Guarantor hereunder are absolute and unconditional.

7. Guarantor hereby irrevocably waives any notice of any compromise, forbearance, indulgence, amendment, modification, endorsement, extension, or renewal of any of the Guaranteed Obligations or any of the terms, covenants or conditions of any of the Loan Documents. Guarantor further irrevocably waives notice of
 - a. any loans or advances made by Lender to Borrower,
 - b. acceptance of this Agreement,
 - c. the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Documents or in connection with the Mortgaged Property,
 - d. the occurrence of any breach by Borrower or an Event of Default,
 - e. Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof,
 - f. sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations,
 - g. protest, proof of non-payment or default by Borrower,
 - h. the release of all, or any portion, of the collateral for the Loan, and
 - i. any other action at any time take or omitted by Lender and, generally, all demands and notices of every kind in connection with this Agreement, the Loan Documents, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and the obligations hereby guaranteed.
8. Guarantor consents to all of the terms, covenants, and conditions of all of the other Loan Documents (all of which are hereby incorporated herein) and any other document governing or relating to any of the Guaranteed Obligations. Guarantor represents and warrants that:
 - a. Guarantor has full power, authority and legal right to execute, deliver and comply with this Agreement, all actions of Guarantor and other authorizations necessary or appropriate for the execution and delivery of and compliance with this Agreement have been taken or obtained and this Agreement constitutes the valid and legally binding obligation of Guarantor enforceable against Guarantor in accordance with its terms.
 - b. No consent, approval, or other authorization of or by any court, administrative agency, or other governmental authority is required in connection with Guarantor's execution and delivery of or compliance with this Agreement.
 - c. The execution and delivery of and compliance with this Agreement by Guarantor will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other document or instrument to which Guarantor is a party, or by which Guarantor or any of Guarantor's property is bound, and such action by Guarantor will not result in the creation or imposition of any lien, charge or encumbrance upon any property of Guarantor in favor of anyone other than Lender.
 - d. There is no action, suit or proceeding pending or, to the knowledge of Guarantor, threatened against or affecting Guarantor before or by any court, administrative agency or other governmental authority, or which brings into question the validity of the transactions contemplated hereby.
 - e. Guarantor has not applied or consented to the appointment of a receiver, trustee, or liquidator of itself or any of Guarantor's property, has not admitted in writing Guarantor's inability to pay debts as they mature, has not made a general assignment for the benefit of creditors, been adjudicated a bankrupt, or insolvent or filed a voluntary petition in bankruptcy, nor has a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, and no action has been taken by Guarantor for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction



- approving a petition seeking reorganization of Guarantor or all or a substantial part of the assets of Guarantor, or appointing a receiver, sequestrator, trustee, or liquidator of any of Guarantor's property.
- f. Guarantor has received and read all of the Loan Documents and the Loan is and will be of direct interest, benefit, and advantage to Guarantor.
 - g. All other representations and warranties relating to Guarantor contained in the Loan Documents are true and correct.
9. Guarantor further represents and warrants that Guarantor's financial statements (the "Financial Statements") heretofore delivered to Lender are true and correct in all material respects, have been prepared in accordance with GAAP, and fairly represent the financial conditions as of the date thereof and for the periods shown therein; that no Material Adverse Change has thereafter occurred in the financial conditions reflected therein; and that the assets shown on the Financial Statements are wholly owned by Guarantor, and are not jointly owned with any other person or entity except as otherwise stated in the Financial Statements. Guarantor covenants and agrees (a) that Guarantor shall notify Lender promptly of any Material Adverse Change; (b) that Guarantor shall deliver to Lender such financial documentation as set forth in the Loan Documents; (c) that Guarantor shall deliver to Lender such other financial information as Lender from time to time reasonably may request; (e) that Guarantor shall maintain complete and accurate books and records and make them available for inspection by Lender as Lender may reasonably request; and (f) that Guarantor will perform and observe all of the other terms, covenants and agreements set forth in the Loan Documents that are required to be performed or observed by Guarantor as a "Guarantor", "Borrower Party" or otherwise.
10. Guarantor shall indemnify and hold Lender and the other Indemnified Parties harmless from and against any and all claims, demands, losses, judgments, liabilities, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) which Lender or the other Indemnified Parties may incur arising out of or resulting from any default of Borrower under the Loan Documents, or enforcement or exercise of any right or remedy granted to the Lender under the Loan Documents.
11. Except as otherwise provided in this Agreement or in any of the other Loan Documents, Guarantor hereby consents and agrees to each of the following and agrees that Guarantor's obligations under this Agreement shall not be released, diminished, impaired, reduced or adversely affected by any suretyship defense and/or any of the following and waives any and all common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:
- a. any notice of Lender's intention to act in reliance on this Agreement or in reliance hereon;
 - b. demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notices of any kind, or the lack of any thereof, including without limiting the generality of the foregoing, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Lender, any endorser or creditor of either Guarantor or any other person whomever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Lender;
 - c. the commencement or prosecution of any enforcement, proceeding, including any proceeding in any court, against Borrower or any other person or entity with respect to any obligations arising out of the Loan Documents;
 - d. any right to require Lender to proceed against any other person or to proceed against or exhaust any security held by Lender at any time or to pursue any other remedy in Lender's power or under any other agreement before proceeding against Guarantor hereunder;
 - e. any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Lender to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;
 - f. any defense based upon an election of remedies by Lender;
 - g. any right or claim of right to cause a marshaling of the assets of Borrower or any Guarantor;



- h. any principle or provision of law, statutory or otherwise, which is or might be in conflict with the terms and provisions of this Agreement;
 - i. any duty on the part of Lender to disclose to Guarantor any facts Lender may now or hereafter know about the Mortgaged Property, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, if being understood and agreed that Guarantor is fully responsible for being and keeping informed of the condition of the Mortgaged Property and of any and all circumstances bearing on the risk that liability may be incurred by Guarantor hereunder;
 - j. any lack of notice of disposition or of manner of disposition of any collateral for the Loan;
 - k. any invalidity, irregularity or unenforceability, in whole or in part, of any one or more of the Loan Documents;
 - l. any lack of commercial reasonableness in dealing with the collateral for the Loan;
 - m. any deficiencies in the collateral for the Loan or any deficiency in the ability of Lender to collect or to obtain performance from any persons or entities now or hereafter liable for the payment and performance of any obligation hereby guaranteed;
 - n. any assertion or claim that the automatic stay provided by 11 U.S.C. §362 (arising upon the voluntary or involuntary bankruptcy proceeding of Borrower) or any other stay provided under any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, shall operate or be interpreted to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any of its rights, whether now or hereafter required, which Lender may have against Guarantor, if any, or the collateral for the Loan; and
 - o. any modifications of the Loan Documents or any obligation of Borrower relating to the Loan by operation of law or by action of any court, whether pursuant to Title 11 of the United States Code, as amended, or any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, or otherwise.
12. Nothing herein contained is intended or shall be construed to give Guarantor any right of subrogation in or under any of the Loan Documents or any right to participate in any way therein, notwithstanding any payments made by the undersigned under this Agreement, any and all such rights of subrogation and participation being hereby expressly, unconditionally and irrevocably waived and released until the Guaranteed Obligations are fully paid to Lender and satisfied. Guarantor hereby further unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligation for any payment made by Guarantor under or in connection with this Agreement or otherwise.
13. This Agreement shall be a continuing, absolute, and unconditional guarantee regardless of the validity, regularity, enforceability, or legality of (a) any of the Guaranteed Obligations, (b) any collateral securing the Guaranteed Obligations, or (c) any term of any document evidencing or relating to any of the Guaranteed Obligations including the Loan Documents. In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal, or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal, and enforceable in any such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
14. Any notice or communication required or permitted under this Guaranty must be made in writing and sent by (a) personal delivery, (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, addressed to such address as Lender or Guarantor may designate in writing and deliver in accordance with this section. Any change of address will be effective on the 2nd Business Day after notice is given pursuant to the terms of this Section. Any notice or



- communication sent in accordance with this section will be deemed to be given when received if delivered personally, on the next business day if sent by an overnight commercial courier or two days after the date mailed if sent by certified or registered mail.
15. No modification of this Agreement shall be effective unless in writing and signed by Lender and Guarantor.
 16. This Agreement shall be binding upon Guarantor and Guarantor's, heirs, executors, trustees, personal representatives, successors, and assigns (as applicable) and shall inure to the benefit of Lender, its successors and assigns.
 17. In this Agreement the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending, or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to "attorneys' fees" shall be deemed to be followed by the words "and disbursements"; and references to sections or exhibits are to those of this Agreement unless otherwise indicated. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.
 18. This Agreement shall be construed in accordance with and governed in all respects by the laws of the _____ (PROPERTY STATE)] without giving effect to principles governing conflicts of laws.
 19. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, THE NOTE, THE SECURITY INSTRUMENT, THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE, LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.
 20. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

[Signature Page to Follow]



IN WITNESS WHEREOF, Guarantor has executed this Agreement as of the day and year first above written.

GUARANTOR:

By: _____

STATE OF: _____

COUNTY OF: _____

On the _____ day of _____, 20____, 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 whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity as _____ for Guarantor and that, by his/her signature on the instrument, the person upon behalf of which the individual acted, executed the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand the day and year first above written.

Notary Public

My Commission expires: _____



14.3 OCCUPANCY CERTIFICATION

OCCUPANCY CERTIFICATION

Borrower: _____

Co-Borrower(s): _____

Property Address: _____

City: _____ State: _____ Zip Code: _____

I/We the undersigned certify that:

_____ Primary Residence - I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/we will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy unless Seller otherwise agrees in writing.

_____ Second Home - I/we will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ Investment Property - I/we will not occupy the Property as a principal resident or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following must be completed on an investment property loan)

_____ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following must be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is NOT currently listed for sale or under contract to be listed for sale.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Seller to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Date

Co-Borrower Date

Borrower Date

Co-Borrower Date



14.4 CONSENT OF SPOUSE

CONSENT OF SPOUSE

I, _____, spouse of _____, acknowledge that I have read the _____, dated as of _____, by _____ (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of _____ ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of _____ ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

[Name of Spouse]

Spouse's Address [Address of Spouse]:

Street: _____ City: _____ State: _____ Zip Code _____

[INSERT NOTARY ACKNOWLEDGEMENT]



14.5 SELF-EMPLOYED BUSINESS NARRATIVE FORM

SELF-EMPLOYED BUSINESS NARRATIVE FORM

This form is to be completed by the borrower or an individual of the borrower’s business, with knowledge and information of the operations and finances of the business. Typical persons submitting this form may also include: Controller, Treasurer, V.P. Finance, Finance Manager, Accounting Manager or Human Resources Manager. This form can also be completed by a third-party individual with direct knowledge of the borrower’s business, such as Certified Public Accountant or an IRS Enrolled Agent. If the file does not contain or require a CPA prepared P&L, the underwriter will use this narrative to evaluate the reasonableness of expenses listed for the business.

Business Name and Legal Structure (Partnership, Corporation, Limited Liability Company etc.):

Date Business Started: _____

Percentage of Business Owned: _____

Description of Business / Business Profile (Identify if Commercial or Retail client base): _____

Business Location and Associated Rent:

Is location in a commercial or residential dwelling?

Number of Employees (E) or Contractors (C):

Does Business Provide Sales of Goods, Services or Both? If Goods provide estimated cost of goods:

Materials / Trucks / Equipment / Other:

Business Analysis:

Additional Information to provide underwriting for consideration during their analysis:

I/We hereby certify that the information provided in this form is true, accurate and complete. I/We understand that any misrepresentation made in this document may result in the loan application being declined.

Date: _____ Title: _____

Signature: _____ Name: _____



14.6 CONDOMINIUM FULL REVIEW QUESTIONNAIRE

FULL REVIEW FORM

PROJECT LEGAL NAME: _____

CITY AND STATE: _____

Total # of Units	# of Units conveyed	# of Developer owned	# of Owner Occupied	# of Second Homes	# of Investors

1. Are there short-term rentals? Yes No If yes, what is the minimum rental period? _____
2. Does the project have any of the items listed below? Yes No If yes, please mark all which apply.
 - ___ Hotel Services
 - ___ Licensed as a hotel, motel, resort or hospitality entity
 - ___ Rentals handled through the management company
 - ___ Occupancy limits or blackout dates
 - ___ Project is listed as an investment security with the SEC
 - ___ Project contains non-incidentual business operations (restaurant, spa, etc.)
 - ___ Legal documents require owners to share profits from rentals of units with HOA, Management Co. or resort/Hotel rental company
 - ___ Hotel or Resort ratings through hotel booking websites or agencies
 - ___ Managed by a hotel/resort management company
 - ___ Rental pooling
 - ___ Interior decorating or furnishing restrictions
 - ___ Project is a common interest apartment or community apartment
 - ___ Multi-dwelling Unit (more than one unit on deed and/or mortgage)
3. Largest number of units owned by a single person/entity. (The lowest number would be at least 1.) _____
4. No. of units over 60 days delinquent and dollar amount of delinquency. ____/ \$_____
5. Is there any additional phasing or annexation? Yes No
6. Are units owned fee simple (FS) or leasehold (LH)? FS LH
7. Are all units, common areas, and amenities completed? Yes No
8. Date Association turned over to unit owner control (Month/Year). ____/____
9. Is the project a conversion? Yes No
 If yes, is the project a gut rehab with renovation of property down to the shell replacement of all HVAC & electrical components? Yes No Year converted _____
10. Does the project contain any low or moderate 1 -income housing units (aka inclusionary zoning)? Yes No
 If yes, is the subject unit designated as a low to moderate income unit? Yes No
11. Is the project subject to a recreational lease? Yes No
12. Are the units subject to recurring transfer fees paid to the developer upon the sale of a unit? Yes No
13. Does the project have a mandatory club membership? Yes No
 If yes, who owns the club? _____
14. Is the association subject to any lawsuits or pre-litigation activity (e.g. mediation, arbitration, etc.)? Yes No
 If yes, provide the complaint(s) for the lawsuit(s) and/or details of the pre-litigation activity. _____
15. Does the project contain commercial space? Yes No
 If yes, what percentage of the project is commercial? _____
16. Has the HOA or Developer retained any right of first refusal? Yes No
 If yes, are mortgagees excluded from this right of first refusal? Yes No
17. If a unit is foreclosed or taken back by deed in lieu of foreclosure, is the mortgagee (lender) responsible for HOA dues? Yes No



If yes, for how long? 0-6 months 7-12 months More than a year

18. Is the project located in a Master Association? Yes No

19. Does the HOA or management co. maintain separate accounts for operating & reserve funds? Yes No

20. Are the monthly account statements being sent directly to the HOA? Yes No

21. Does the management company have the authority to draw checks against or transfer funds from the reserve account? Yes No

22. Are 2 or more members of Board of Directors required to sign checks from the reserve account? Yes No

23. What is the balance in the segregated reserve account? \$_____

24. A) How many special assessments are ongoing or planned? _____

B) What is the purpose of each special assessment? _____

C) What is the total amount of each special assessment? _____

D) When does the special assessment begin and end? _____

E) If the special assessment(s) are related to critical repairs, have all repairs been completed? Yes No

F) How many unit owners are more than 60 days delinquent in their special assessment? _____

DEFERRED MAINTENANCE

25. Does the association have any reports regarding deferred maintenance? Yes No

If yes, please provide copy of the report.

26. Have there been any inspections done within the past three years? Yes No

If yes, please provide copy of the inspection report.

27. Has the project failed to pass state or other jurisdictional inspections or certifications related to structural soundness, safety, or habitability? Yes No

28. Is the project subject to evacuation orders? Yes No

29. Does the project have material deficiencies that would result in critical elements or system failures within D 1 year? Yes No

If yes, what elements are impacted? _____

30. Is there mold, water intrusion, or damaging leaks that have not been repaired? Yes No

If yes, please explain. _____

31. Is there any advanced physical deterioration? Yes No

If yes, what elements are impacted? _____

32. Are there any unfunded repairs costing more than \$10,000 per unit that should be repaired within the next 12 months? Yes No

If yes, please explain. _____

Acceptable sources include an officer of the condominium association or a qualified employee of the association's management company.

Source of Information

Signature

Title

Date

Phone Number

Email Address

Website Address of Association



14.7 BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

To ensure we have the correct contact information for servicing your loan, provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

_____ Same as the subject property.

_____ Use this mailing address instead:

Address Line 1: _____ Apt. #: _____

Address Line 2: _____

City: _____ State _____ Zip Code: _____

Country: _____

Cell Phone Number: _____

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Within the United States	Within the United States
Borrower: () -	() -
Borrower: () -	() -
(Area Code) Phone Number	(Country Code) Phone Number

Email Address: _____

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Signature(s): _____

Borrower: _____

Co-Borrower: _____

