

LENDING SUMMARY

CONSTELLATION PROGRAM

FULL DOC
ASSET UTILIZATION
BANK STATEMENT
1099
P&L

11/24/2026

Contents

1.0 PRODUCT DESCRIPTION 2
2.0 REQUIRED DISCLOSURES 3
3.0 MAXIMUM CASH OUT 4
4.0 UNDERWRITING 5
5.0 QUALIFYING RATE & PAYMENT 6
6.0 QUALIFYING RATIOS 7
7.0 OCCUPANCY 8
8.0 FIRST-TIME HOMEBUYER (FTHB) 9
9.0 HOUSING PAYMENT HISTORY 10
10.0 SHORT-TERM RENTAL (STR) INCOME 11
11.0 RESIDUAL INCOME 12
12.0 RESERVES 13
13.0 TAX TRANSCRIPTS 14
14.0 MULTIPLE FINANCED PROPERTIES 15
15.0 APPRAISALS 16
16.0 DECLINING OR SOFT MARKETS 17
17.0 SELF-EMPLOYED BORROWERS 18
18.0 SELF-EMPLOYMENT DOCUMENTATION 19
19.0 ASSET UTILIZATION PROGRAM 20
20.0 BANK STATEMENT PROGRAM 22
21.0 1099 PROGRAM 24
22.0 P&L PROGRAM 25
23.0 PROGRAM FORMS 26
23.1 ATR Disclosure 26
23.2 Borrower ATR Affirmation 27

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

1.0 PRODUCT DESCRIPTION

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

Borrower may have had a credit event or other isolated lapse in their credit performance that may preclude qualification for another program. Credit events include, without limitation, bankruptcy, foreclosure, short sale, or any other isolated instance of breach in an otherwise acceptable credit pattern. Other isolated lapses in credit performance would be characterized as a period of slow payments on their credit report, such as 30-day delinquencies resulting from isolated circumstances.

All borrowers must exhibit an acceptable recent credit history (see matrix for specific requirements) and provide a written explanation for derogatory credit events. Multiple credit events that are not a result of the same cause are not permitted. For Example: borrower who filed bankruptcy on multiple occasions.

The Asset Utilization Program is for high-net-worth borrowers who may choose to use their assets for qualification rather than using their income to qualify for the mortgage. Employment and income are not disclosed, and DTI is not calculated.

The Bank Statement program is designed for self-employed borrowers that permits the use of bank statements, in lieu of tax returns, to support self-employed income for qualification purposes.

The P&L program is designed for self-employed borrowers that permits the use of an accountant prepared P&L, in lieu of tax returns, to support self-employed income for qualification purposes.

The 1099 program is designed for borrowers who are independent contractors, freelancers, or otherwise self-employed in the “gig economy” who may qualify with 1099 statements in lieu of tax returns, to support their income.

Documentation must provide evidence the borrower’s self-employed income is stable, sufficient to repay the borrower’s debts and likely to continue.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

2.0 REQUIRED DISCLOSURES

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

- Notice to Borrower: Ability to Repay Disclosure signed by the borrowers.
- Borrower's Affirmation of Information Provided to Establish Ability to Repay (ATR) signed by the borrower.
- Asset Utilization program requires a letter of explanation from the borrower certifying their intent to liquidate the assets to pay current expenses.

Completed by underwriter:

- Ability to Repay (ATR) Certification on form 1008.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

3.0 MAXIMUM CASH OUT

Cash-out Refinances

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

Cash-out refinances are not permitted for the P&L program.

Maximum cash out amount is:

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

Rate/Term Refinances

- Cash out amount on a rate and term refinance not to exceed the greater of 1% of the unpaid principal balance of the new mortgage or $2,000.
- Texas rate/term refinances of homestead properties may not receive any ($0) cash back at closing.
- For properties in Texas, a copy of the current mortgage or note is required to determine if the terms are subject to Texas Section S0(a)(6) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust).

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

4.0 UNDERWRITING

Full Doc

For Full Doc loans that are not Interest-Only:

- Loan must be submitted to DU/LPA, but loan must be manually underwritten and documented according to the STG Mortgage Constellation Program Guidelines. DU/LPA documentation level cannot be followed.
- If receiving an Approve/Eligible or Accept, seller must document, and file must support the reason for a Non-QM Product being selected (such as non-warrantable condo or better pricing) and must be manually underwritten per standard policy.

Submission to DU is not required for the following:

- Full Doc Interest-Only loans.

Asset Utilization, Bank Statement, 1099 and P&L Programs

- Loans will be manually underwritten:
  - Submission to DU or LPA is not required.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

5.0 QUALIFYING RATE & PAYMENT

- Fixed Rate: Note rate.
- Interest-Only Fixed Rate: Greater of the Fully Indexed rate or the Note rate based on the remaining loan term after the Interest-Only period has expired:
  - 30-year Interest-Only is based on 20-year amortization.
  - 40-year Interest-Only is based on 30-year amortization.

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

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

6.0 QUALIFYING RATIOS

Full Doc, Bank Statement, 1099 and P&L Programs

- Maximum 50% DTI.
- Reserve Requirement:
  - If DTI ≤ 45%, use reserve requirement from matrix.
  - If the DTI is > 45%, three months reserves are required in addition to product requirement.

Asset Utilization Program

- DTI not calculated. Residual income requirements still apply.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

7.0 OCCUPANCY

- Primary residences.
- Second homes:
  - 2-unit second homes:
    - Purchase and Rate & Term Refinance only.
    - Permitted when one unit is available for the borrower's exclusive use; no rental or time-sharing arrangements of the borrower's exclusive unit.
    - Must be suitable for year-round use.
    - Must be a reasonable distance from borrower's current owner-occupied property.
- Investment properties:
  - Borrowers living rent free are not eligible for cash out on an investment property.

1099 Program

- Second Homes and Investment properties are not permitted for the 1099 program.

P&L Program

- Investment properties are not permitted for the P&L program.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

8.0 FIRST-TIME HOMEBUYER (FTHB)

A first-time homebuyer (FTHB) is a borrower who has had no ownership interest (sole or joint) in a residential property during the three-year period prior to application. If one borrower meets homeownership requirements, FTHB requirements do not apply.

- Primary residence only.
- Maximum loan amount of $1,500,000.
- Must have a 0x30x12 consecutive housing payment history.

Rent Free or Less Than 12-months Housing History:

- Borrowers living rent free for more than two months but no more than 12 months prior to the application date are permitted if:
  - The borrower has a 12-month payment history within the last three years.
  - A letter of explanation (LOE) confirming the borrower is living rent free with a relative and has no monthly rent (LOE signed by borrower and relative).
  - Purchase transaction.
  - Primary residence.
  - Maximum 43% DTI.
  - Additional three months reserves.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

9.0 HOUSING PAYMENT HISTORY

- 0X30X12 required.
- Must be provided for all mortgages and rental payments within the 12 months prior to closing.
- 120 day late is considered a Foreclosure.
- Rent-free or less than a full 12-month housing history: Refer to First-Time Homebuyer restrictions.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

10.0 SHORT-TERM RENTAL (STR) INCOME

Short-term rental (STR) income is not permitted for Accessory Dwelling Units (ADUs).

Asset Utilization, Bank Statement, 1099 and P&L Programs

- Short-term rental (STR) income is not permitted.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

11.0 RESIDUAL INCOME

There is no residual income requirement for any program except Asset Utilization.

The amount of residual income required is based on family size:
$2,000 for 1, $2,500 for 2, $3,000 for 3, $3,300 for 4, $3,500 for 5, add $150 per person for 6 & 7. Capped at $3,800.

Residual Income Calculation for Asset Utilization Program

- Monthly Residual Income = Total Monthly Income - Total Monthly Debt Expenses.
- Monthly residual income must meet or exceed the family size requirement.

Total Usable Assets:
• Total Qualified Liquid Assets.
• Minus the cash to close.
• Divided by 60 months reserves on monthly debt expenditure.

Example:

Qualified Liquid Assets		$2,500,000
Down Payment	-	$150,000
Closing Cost (cash to close)	-	$20,000
Usable Assets from above	=	$2,300,000
Usable Assets divided by 60	=	$38,833.33
Total Monthly Debt	-	$7,000.00
Residual Income	=	$31,833.33

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

12.0 RESERVES

Reserves are based upon the number of months of PITIA (or ITIA for Interest-Only products) for the subject property including any subordinate financing.

Loan Amount	DTI ≤ 45%	DTI > 45%
≤ $1.0MM	3 Months	6 Months
> $1.0MM and ≤ $2.0MM	6 Months	9 Months
> $2.0MM	9 Months	12 Months

Additional financed properties, including pending sales: Additional 2 months per financed property.

First-Time Homebuyer without full 12-month housing history: Additional 3 months.

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

Cash proceeds from the transaction may be used for reserves.

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

- Subject property housing payment is decreasing.
- Loan amount is < $1,500,000.
- Primary residence or second home.
- Borrower does not have a prior bankruptcy, foreclosure, short-sale, DIL, pre-foreclosure, or mortgage charge-off in the most recent seven (7) years from the Note Date.
- Mortgage history is 0x30x12 on all mortgages:
  - Must have a full 12-month payment history making current housing payment.

Asset Utilization Program

- Reserves are not required.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

13.0 TAX TRANSCRIPTS

Full Doc

IRS Record of Account Tax Return Transcripts (1040) are required:

- When Individual Income Tax Returns (Form 1040) are being used to document income for loan qualification;
- When the borrower is employed by a family member or interested party to the transaction.
- If the most recent years' (or prior year) 1040 transcripts are not available or are reported as "No Record Found," all of the following are required:
  - Proof of e-filling for the most recent year
  - Proof of payment of any tax due or receipt of refund for the most recent year

W-2 Income:

- One of the following is required to validate income:
  - Validation of income through a third-party company (e.g., The Work Number (TWN); or
  - W-2 or 1040 transcripts: If the most recent years' transcripts are not available or are reported as "No Record Found" provide the prior two years' W-2 transcripts.

Alternatives to Record of Account

Proof of payment of tax due or receipt of refund for applicable tax years that tax returns were provided (e.g., bank statements, copy of the refund check, IRS Where's My Refund printout, etc.):

- Amount must match the tax transcript and tax returns; and
- Proof that the tax transcript was obtained by the lender and not the borrower (i.e., invoice from the IVES vendor) must be provided.

Asset Utilization Program

- Tax Return and W-2 transcripts are not required.

Bank Statement and P&L Programs

- W-2 transcripts may be obtained at the underwriter's discretion, when self-employed income is combined with a wage earner.

1099 Program

- Wage and Income transcripts required for income being documented with 1099 statements that are in the borrower's name:
  - If the 1099s are in a company name and transcripts are not available, a CPA letter is required verifying the dollar amounts of each 1099 used to qualify, and that the borrower has filed a Schedule C for the past two years.
  - If the current years transcripts are not available ("no record found" returned), obtain one of the following:
    - A CPA letter is required verifying the dollar amounts of each 1099 used to qualify and that the borrower has filed a Schedule C for the past two years; or
    - A direct verification of employment verifying the dollar amounts of each 1099 used to qualify for the past two years.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

14.0 MULTIPLE FINANCED PROPERTIES

- Borrower may own up to 15 financed properties, including the subject property.
- Borrower limited to 10 loans in the STG Mortgage Constellation Program not to exceed $5,000,000 in total financing (Maximum Exposure).
- New multiple loans must be underwritten simultaneously

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

15.0 APPRAISALS

Appraisal Requirements

- ≤ $2,000,000: One appraisal.
- > $2,000,000: Two appraisals.
- A single-Family Comparable Rent Schedule is required for investment property when rental income is used to qualify.
- The re-use of an appraisal from a previous transaction is not permitted.

Secondary Valuation Requirement

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

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

When Two Appraisals are Required:

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

Transferred Appraisals

- Full Doc & Asset Utilization programs: Permitted
- Bank Statement, 1099 and P&L programs: Permitted
  - Investment properties: Transferred appraisals are only permitted by exception from STG Mortgage credit management for Investment properties. In order to be eligible for exception, the transferring lender must be a widely known nationwide wholesale lender.

HPML Loans

- Refer to the STG Mortgage Constellation Program Guidelines for second appraisal requirements.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

16.0 DECLINING OR SOFT MARKETS

If the appraiser notes the market is soft or declining, a 5% reduction to the maximum LTV is required. A market will be deemed "declining" if:

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

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

17.0 SELF-EMPLOYED BORROWERS

All Doc Types (Full & Alt)

- At least one borrower must meet the definition of self-employed:
  - A borrower with a 25% or greater ownership interest in a business is considered self-employed.
  - Borrower earns a majority of their income (51% or more) from their self-employment and uses their self-employed income for qualification.
- Borrower must be self-employed for a minimum of two (2) years with business income being used to qualify or a minimum of one (1) year with business income being used to qualify under the 12-month self-employment program.

ALT Doc Types

1099 Program

- Form 1099-K, 1099-MISC or 1099-NEC may be used in lieu of bank statements for income qualification.
- Income qualification may not combine income derived from both bank statements and 1099 statements.
- Must have received 1099s in the same line of work for a minimum of two years unless meeting the requirement for 1-year self-employed documentation.
- Borrower may not have ownership in the companies that the 1099 income is being derived from.

Bank Statement and P&L Programs

- Verify the borrower's ownership percentage and length of ownership with one of the following:
  - Letter from CPA or licensed tax preparer (with PTIN), or
  - Business Formation Documents (Articles of Incorporation, Bylaws, Charter, Articles of Association) filed with the applicable state and one of the following additional documents which must verify the borrower's ownership percentage:
    - Operating Agreement/Partnership Agreement; or
    - IRS Employment Identification Number (EIN) letter documenting the borrower's percentage of ownership in the business; or
    - Stock Certificate or other acceptable corporate documentation verifying the number of shared owned by the borrower and documentation confirming the total number of shared issued and outstanding (Corporation).

Note:

- If a letter from a CPA or licensed tax preparer (with PTIN) is provided, validation of their license is required.
- 1099 contractors are eligible provided a CPA or licensed tax preparer (with PTIN) with knowledge of the borrower's tax filing status confirms the borrower has filed Schedule C for the past two years. 1099 contractors using the 1 Year Self Employed program must have a letter confirming the borrower has filed a Schedule C for the previous year.
- Borrowers whose self-employment cannot be independently verified are not eligible.
- Do not provide tax returns.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

18.0 SELF-EMPLOYMENT DOCUMENTATION

When borrower has been self-employed 24 months or more there are no additional restrictions.

For Borrowers with Less Than 2 Years Self-Employment History

When borrower has been self-employed less than 24 months, the following applies:

- Maximum LTV/CLTV is 75% for Primary Occupancy.
- Maximum LTV/CLTV is 70% for Second Home.
- Investment Properties not permitted.
- Purchase and Rate and Term Refinance only.
- Minimum FICO 700.
- Maximum Loan Amount $2,000,000.
- Must Own > 50% of the business.
- Business must have been owned and operational for a minimum of one (1) year.
- The loan file must also contain documentation to support the history of prior employment for five (5) years:
  - In a field that provides the same products or services as the current business; or
  - In an occupation in which they had similar responsibilities to those undertaken in connection with the current business.
  - Prior self-employment may not be considered in the five (5) year employment history requirement.
- All other STG Mortgage Constellation Program requirements apply.
- Full Doc only: The borrower's most recent signed personal and business federal income tax returns reflecting a full year (12 months) of self-employment from the current business.
- Bank Statement program only: Most recent 12 months bank statements, covering the most recent 12 months of being self-employed.
- 1099 program only: Most recent tax year 1099 covering 12 full months of self-employment. 1099 contractors using the 1 Year Self Employed program must have a letter confirming the borrower has filed a Schedule C for the previous year.

P&L program does not permit less than 2 years of self-employment history.

Asset Utilization program does not permit any other type of income.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

19.0 ASSET UTILIZATION PROGRAM

The Asset Utilization program allows eligible assets to be used in the determination of the Ability to Repay by performing a loan qualification calculation and a residual income calculation.

Monthly Income Calculation

- Total Monthly Income = Total Qualifying Assets - Cash to Close ÷ 60 months.

Bank Statement Requirements

- The borrower's personal bank account and funds must be sourced and seasoned for a minimum of six months. The following is required:
  - Most recent bank statement(s) reflecting the ending balance of the bank account.
  - A statement from the same accounts dated six months ago.
- There is no limit to the number of bank accounts that can be provided to use for income.
- Business bank statements are not permitted.
- All account owners listed on the asset statements must be on the loan.

Monthly Debt Expenses

Documentation is required to show the borrower has at minimum 60 months of their total monthly debts, including but not limited to:

- Monthly debts reported on the credit report.
- Monthly PITIA on the subject property.
- Other real estate owned:
  - Each additional property owned must qualify using the full PITIA.
  - Rental income received is not eligible to be used to reduce, omit, and/or offset the payment.
- Debts being paid off or paid down for qualifying purposes is not permitted.

Total Liquid Assets

Minimum asset requirement is the greater of:

- $500,000 post closing, OR
- Down payment, closing costs, prepaids and reserves plus five years (60 months) of monthly debt expenses including the PITIA of the subject.

Rents received may not be used to offset monthly mortgage payment for properties.

Cash proceeds from real estate sold prior to the subject's closing may be applied as an offset to the cash to close requirements on the subject's transaction.

Qualifying Assets & Qualifying Percentages

Checking, savings, CDs U.S. government receivables (T-bills, treasuries, etc.)	100%
Publicly traded stocks, bonds, mutual funds (nonretirement)	85%
Retirement accounts (401(k), IRA, 403(b): retirement age 59 ½)	85%
Retirement account (401(k), IRA, 403(b)): not retirement age (must be fully vested)	50%

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

Ineligible Qualifying Assets

- 529 College Savings Plan.
- Annuity.
- Business assets.
- Cash value of life insurance.
- Equity in real estate including current home.
- Funds held in foreign accounts or investments.
- Gift funds.
- Gift of equity.
- Health Spending Account (HSA).
- Private securities or any non-publicly traded assets.
- Restricted stock units, stock options, non-vested stock.
- Sale of personal assets.
- Stocks and bonds not publicly traded.
- The following trusts:
  - Blind trusts.
  - Irrevocable trust.
  - Land trusts.
  - Life estates.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

20.0 BANK STATEMENT PROGRAM

General Bank Statement Requirements

- Unacceptable Deposits/Excluded Deposits, including but not limited to the following:
  - Cash advances from credit cards.
  - Gift funds.
  - Income sources already taken into account.
  - Non-business-related account transfers.
  - Tax refunds.
  - Product returns/credits.
  - Credit line deposits/business financing.
- Non-Sufficient Funds are where payment of a check cannot be made due to insufficient funds in the account:
  - No more than six NSF events in any 12-month period (multiple NSFs are permitted in one day).
- Overdrafts are not considered an NSF if covered by funds transferred from another account.
- Decreasing monthly deposit trends may require an additional explanation and/or documentation.
- Income disclosed on the initial application should be reviewed for consistency with the income calculated from the bank statements. Large deviations should be evaluated and may require a written explanation from the borrower regarding their business and the income they earn and/or additional documentation to further support the calculated income.

Personal and Business Bank Statement Requirements

- Provide the most recent 12- or 24-months consecutive bank statements.
- If 24 months of statements are submitted and only 12 months are used; the borrower must provide a written explanation detailing why their income is a reasonable indication of current and future income.
- If 12 months of statements are submitted and the income analysis demonstrates a pattern of large fluctuations or inconsistencies in deposits, 24 months of statements may be required:
  - Eligible deposits will be added up and averaged over either 12 or 24 months to support monthly income, depending on the number of bank statements provided.
- Large or irregular deposits must be sourced as qualifying income or must be backed out of the average.

Personal Bank Statements

- Personal bank statements reflecting other individuals who are not borrowers on the loan are ineligible.
- If the borrower maintains separate bank accounts for personal and business, and uses personal bank statements for qualifying:
  - Three months of business bank statements must be provided to document the qualifying business is an operating entity. If business bank statements cannot be provided to evidence a separate business account with operating activity, then the personal statements must follow the requirements of business bank statements.
  - No expense factor is applied as long as business bank statements support operating activity with expense being paid.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

Business Bank Statements

- Gross deposits will be multiplied by the expense factor to determine a net deposit number and divide by 12 or 24 months, depending on the number of bank statements provided.
- Expense Factor Methods:
  - Standard Expense Factor :50%.
  - Accountant Letter:
    - If a CPA letter is required to verify a different expense factor, the CPA or licensed third-party tax preparer (with PTIN) written statement:
      - Must specify the actual expense ratio of the business and acknowledge that the expense ratio is based on their review of the most recent year's financials. The statement must not include an unacceptable disclaimer/exculpatory language.
      - The expense factor per the CPA or licensed third-party tax preparer (with PTIN) produced statement must be reasonable.
    - The lowest acceptable expense factor for qualifying is 15%:
      - Apply the expense factor to gross deposits to calculate the qualifying income.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

21.0 1099 PROGRAM

- Using a 10% expense factor subtract 10% from the 1 or 2 years of Form 1099 income and divide by 12 or 24 months (depending on the number of years of 1099 statements provided) to determine monthly income.
- Year-to-date earnings must be obtained to support income being used to qualify for Note dates after April 15.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

22.0 P&L PROGRAM

- Must Own > 50% of the business:
  - Verify the borrower's ownership percentage.
- Business must have been owned and operational for a minimum of two (2) years.
- Most recent 12-month P&L (within 60 calendar days of the application date).
- P&L must be completed, signed and dated by an independent licensed CPA/EA/PTIN/CTEC in good standing.
- Borrower(s) must sign and date the P&L.
- Qualifying income is calculated by dividing the net profit by the number of months in the covered period (subject to ownership percentage).
- Loan Amount > $1,000,000: Obtain the most recent two (2) month's business bank statements:
  - Business bank statement deposits must support 80% of the monthly average gross revenue from the P&L.

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

23.0 PROGRAM FORMS

23.1 ATR Disclosure

NOTICE TO BORROWER: ABILITY TO REPAY DISCLOSURE

Borrower: _____
Loan #: _____
MIN: _____

The U.S. Congress granted authority to the Consumer Financial Protection Bureau (CFPB), through the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, to adopt rules related to the origination of residential mortgage loans. These rules, as adopted by the CFPB in 2013, went into effect for many different types of residential mortgage loans with an application date on or after January 10, 2014. These rules relate to the mortgage loan for which you are applying.

One of the most important and impactful of these new rules is the Ability To Repay Rule (the ATR Rule). Under the ATR Rule, mortgage lenders must make a reasonable and good faith determination, based on documented and verified information, that a borrower has a reasonable ability to repay a residential mortgage loan. This evaluation must include eight (8) factors (further guidance can be found here: http://files.consumerfinance.gov/f/201401_cfpb_mortgages_consumer-summary-new-mortgage.pdf):

1. Your current income or assets
2. Your current employment status
3. Your credit history
4. The monthly payment for the mortgage
5. Your monthly payments on other mortgage loans you get at the same time on the same property
6. Your monthly payments for other mortgage-related expenses (such as property taxes)
7. Your other debts
8. Your monthly debt payments, including the mortgage, compared to your monthly income ("debt-to- income ratio").

_____will be evaluating these factors in deciding whether we may approve your mortgage loan application. In connection with our evaluation, the information you provide in connection with your mortgage loan application must be accurate and truthful. Failure to provide accurate and truthful information may result in reconsideration of your loan application to reflect any corrected information, rejection of your loan application, or other action as may be appropriate under the particular circumstances.

By signing below, I hereby acknowledge that I understand _____ obligation to evaluate my ability to repay the mortgage loan for which I am applying in accordance with the ATR Rule, and my obligation to provide accurate and truthful information as a condition of my loan application and in support of _____ determination of my ability to repay.

- BORROWER - _____

- DATE - _____

Page 1 of 1

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.

23.2 Borrower ATR Affirmation

BORROWER'S AFFIRMATION OF INFORMATION PROVIDED TO ESTABLISH ABILITY TO REPAY (ATR)

Borrower: _____
Loan #: _____
MIN: _____

We will use the information contained in this document as well as your mortgage application and all other income documentation collected to make a good-faith determination that you have a reasonable ability to repay the loan you have applied for, as required by the Consumer Financial Protection Bureau (CFPB) under authority granted it by the U.S. Congress through the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (see Notice To Borrower: Ability To Repay Disclosure signed by you at the start of the loan process). You are responsible for the accuracy and truthfulness of the information you provided to us which we used to determine your ability to repay the loan for which you are applying.

For each statement below, please initial to confirm your agreement.

1)	**BORROWER INCOME AFFIRMATION**	**All Borrowers Must Initial Each Response Separately**
	I have not received notice, nor have I any reason to believe, that my income will decrease from what I reported as my current income from all sources in my loan application within the next 12 months.	_____ _____

2)	**BORROWER EMPLOYMENT AFFIRMATION**	**All Borrowers Must Initial Each Response Separately**
	I am not aware of any change in my employment status as reported on my loan application. This includes voluntary or involuntary loss of job, job departure or job change.	_____ _____

3)	**AFFIRMATION BORROWER PROVIDED ALL REQUESTED MATERIAL INFORMATION**	**All Borrowers Must Initial Each Response Separately**
	I have not told my broker, loan officer, or anyone else involved in the origination process about changes to my income, assets, debts, expenses, or anything that could affect my ability to repay this loan, which are not reflected in my loan application or referenced in this document.	_____ _____

4)	**BORROWER AFFIRMATION OF AFFORDABILITY**	**All Borrowers Must Initial Each Response Separately**
	I understand that it is _____ responsibility to determine my ability to repay the mortgage loan under the CFPB's Ability to Repay Rule. However, based on my own analysis of my financial situation, and my understanding of the terms of the mortgage loan as they have been described to me, I have no reason to believe that I cannot afford this mortgage loan and that I will not have sufficient residual income to meet my living expenses. I also understand that _____ determination of my ability to repay my mortgage loan will be independent of my affirmation of affordability.	_____ _____

By signing below,

- **I hereby acknowledge that all of the information listed above is true and correct.**
- **I hereby acknowledge that _____ requirement to make a reasonable, good faith determination of my ability to repay the loan under the CFPB's Ability to Repay Rule has been thoroughly explained to me.**
- **I understand that _____ is obligated to comply with the requirements of the ATR rule as they relate to my loan, and therefore attest that I have provided accurate and truthful information in my loan application.**
- **I understand that it is my responsibility to notify the lender immediately if any of these attestations become inaccurate between the date this disclosure is signed and the date my loan funds.**

- BORROWER - _____ - DATE - _____

STG MORTGAGE INC | (833) 784-5626 | 18401 Von Karman Avenue, Suite 440, Irvine, CA 92612 | NMLS #2091912. www.nmlsconsumeraccess.org. For Mortgage Professional use only and not for consumer distribution. Not all applicants are eligible for or qualify for all products offered. All loans must satisfy STG MORTGAGE INC underwriting guidelines. All market data and other information is not warranted as to completeness or accuracy. Information, rates and pricing are subject to change without prior notice at the sole discretion of STG MORTGAGE INC. Licensing: https://stgmortgage.com/licenses. Equal Housing Lender.