



ALTLOANTM
wholesale lending

INVESTOR 1D (IN-1D)

Eligibility Guidelines | April 5, 2019 | IN-1D

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Section 1: Program Summary			
1.1 Program Summary			
Program Summary	The Investor DSCR Product is designed for borrowers who are experienced real estate investors looking to purchase or refinance an investment property that is held for business purposes. An experienced real estate investor is an individual who has a minimum of twelve (12) or more months with ownership and management of residential or commercial real estate. The borrower is qualified based upon the cash-flow of the subject property and is not required to provide additional employment or income related information.		
1.2 Underwriting			
Underwriting	All loans will be manually underwritten and follow all of the guidelines herein as well as the product matrix above.		
1.3 Required Documentation			
Required Documentation	<ul style="list-style-type: none">Complete schedule of all real estate owned, indicating financed and free and clear propertiesMortgage/lien rating for each financed propertyBusiness Purpose Loan Certification (Signed by Borrower)		
1.4 Ability to Repay and Qualified Mortgage Rule			
Ability to Repay and Qualified Mortgage Rule	Loans in the Investor DSCR product are not subject to Appendix Q or the ATR requirements as they are classified as business loans.		
Section 2: Eligibility			
2.1 Minimum Loan Amount			
Minimum Loan Amount	Minimum loan amount is \$100,000.		
2.2 Eligible Terms and Programs			
Eligible Terms and Programs		Loan Programs	
		Terms	Product Name
		30 Year Fixed	Investor DSCR 30 Year Fixed
		5/1 ARM	Investor DSCR 5/1 ARM Fully Amortizing
		7/1 ARM	Investor DSCR 7/1 ARM Fully Amortizing
		10/1 ARM	Investor DSCR 10/1 ARM Fully Amortizing
		30 Year Fixed IO	Investor DSCR 30 Year Fixed IO
		5/1 ARM IO	Investor DSCR 5/1 ARM IO
		7/1 ARM IO	Investor DSCR 7/1 ARM IO
		10/1 ARM IO	Investor DSCR 10/1 IO
2.3 ARM Adjustments			
ARM Adjustments		Interest Rate	5/1 ARM: 2-2-5
		Adjustment Caps	7/1 & 10/1 ARM: 5-2-5
		Margin	4.75%
		Index	1-Year LIBOR
		Index Establish Date	45 days prior to the change date
		Interest Rate Floor	Initial Note Rate
		Conversion Option	Not permitted
		Assumption	Assumable to a qualified customer after the initial fixed rate period
		Negative Amortization	Not permitted
Interest Only Option	10 Year IO, 20 Year Amortization		

2.4 Assumable	
Assumable	<ul style="list-style-type: none"> Fixed loans are not assumable ARMs are assumable to a qualified customer after the fixed rate period.
2.5 Convertible	
Convertible	Not Permitted
2.6 Eligible Transactions	
Eligible Transactions	<ul style="list-style-type: none"> Purchase Rate & Term (Limited Cash-out) Refinance Cash-out Refinance
2.7 Interest Only	
Interest Only	<p>30 Yr. Fixed, 5/1, 7/1 and 10/1 ARMs</p> <ul style="list-style-type: none"> 10-year interest only period 20-year amortization period
2.8 Purchases	
Purchases	<p>A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property or to finance the acquisition and rehabilitation of a property. In order to determine eligibility, the following requirements must be satisfied:</p> <ul style="list-style-type: none"> A copy of the fully executed purchase contract and all attachments or addenda is required Proceeds from the transaction cannot be used to give the borrower cash back other than an amount representing reimbursement for the borrower's earnest money deposit, overpayment of a fee, or a legitimate pro-rated real estate tax credit when real estate taxes are paid in arrears A Certificate of Occupancy from the applicable government authority must be retained in the file, unless a Certificate of Occupancy is not required by a local government. In this case, an Appraisal Update and/or Completion Report (442) must be obtained. One of these items is required on all new construction, regardless of whether the transaction is a construction-to-permanent loan Refer to Property Flips for additional requirements
2.9 Refinances (General)	
Refinances (General)	<ul style="list-style-type: none"> Borrower(s) must meet the Continuity of Obligation Short pay-off's (short refinances) where a new loan is originated resulting in a forgiveness of a portion of principal and/or interest on the first or second mortgage are not permitted. The refinance of a previously modified mortgage is not permitted unless the borrower is 0X30 on all mortgages for the past 12 months. The modification must be complete on the subject loan prior to loan application. A modified mortgage is defined as a mortgage loan that makes a permanent change in one or more terms of a Borrowers' loan resulting in a change to the loan's monthly payment, interest rate, term, or outstanding principal. (A reduction of a credit line due to value depreciation would not be considered a modification as defined above)
2.10 Rate & Term Refinances	
Rate & Term Refinances	<p>Rate-Term Refinances consist of the following transaction types:</p> <ul style="list-style-type: none"> Payoff of the current mortgage (and any purchase money seconds) to include principal balance plus accrued interest, and any required prepayment penalty, only. (Other costs such as late fees and past-due amounts are considered cash back and render the transaction a cash-out refinance if they exceed incidental cash-back limits below) Payoff of a non-purchase money subordinate lien is permissible provided the subordinate lien is seasoned at least 12 months. If the non-purchase money lien is a home equity line of credit it must have zero draws within the past 12 months

	<ul style="list-style-type: none"> • Refinances where the borrower receives incidental cash-back (amounts limited to the lesser of 2% of the loan amount or \$2,000) • A co-owner is completing an equity buy-out due to a divorce and all of the following criteria are met: <ul style="list-style-type: none"> ○ The property was jointly owned by all parties for at least the 12 months preceding the date of the mortgage application. ○ A written agreement signed by all parties is required stating: <ul style="list-style-type: none"> ▪ the terms of the property transfer, and ▪ the disposition of the proceeds from the refinance ○ The borrower who retains sole ownership of the property may not receive any cash proceeds from the refinance. • Standard loan fees (e.g., closing costs on the new mortgage; prepaid finance charges, such as interest, taxes, insurance, etc; and points) may be included in the refinance transaction. • The current appraised value is used to calculate the LTV regardless of length of time the borrower has owned the subject property. See Property Flips for additional information.
2.11 Cash-Out Refinance	
Cash-Out Refinance	<p>The amount of a Cash-Out Refinance may include the present first mortgage loan payoff, subordinate liens (if applicable), closing costs and additional cash in hand to the Borrower. Payoff of draws taken in the past 12 months on a HELOC are counted in the cash in the maximum cash in hand amount.</p> <p>Seasoning Requirements:</p> <ul style="list-style-type: none"> ○ At least one borrower must be from the original purchase transaction of the property. ○ If a borrower(s) is on title without an individual(s) from the original purchase transaction 6 months seasoning is required (seasoning is determined from the date added to title to the application date) • The appraised value is utilized to determine the loan to value • Maximum cash in hand and debt consolidation combined may not exceed \$1,000,000 • Cash-back proceeds may be used to pay existing debts • Refer to Property Flips for additional requirements • Cash-out must be used for business purposes only
2.12 Continuity of Obligation	
Continuity of Obligation	<p>Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"> • At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. • The borrower has been on title and residing in the property for at least 6 months and has either paid the mortgage for the last 6 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. • The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement. • The borrower has recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). • The borrower(s) are eligible for Delayed Financing <p>Unacceptable Continuity of Obligation</p> <p>All other refinance transactions that do not meet either the continuity of obligation requirements or a permissible exception must comply with the following LTV, CLTV, HCLTV ratio restrictions regardless of the occupancy of the property. The LTV, CLTV, HCLTV ratios must be</p>

	based on the current appraised value.
2.13 Inherited Property / Properties Awarded via Legal Documentation	
Inherited Property and Properties Awarded via Legal Documentation	<p>Inherited properties are permitted provided the borrower has recently inherited, or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership. Appropriate legal documentation is to be provided to support the inheritance.</p> <p>If the subject property was inherited less than 6 months prior to loan application, the transaction is deemed a rate and term refinance and is subject to the following requirements:</p> <ul style="list-style-type: none"> • Proceeds must be used to buy-out the documented equity interest of others. Equity owners must be paid at settlement. • The subject property must have cleared probate and the property must be owned in the Borrower's name. • Current appraised value is used for LTV/CLTV/HCLTV determination. <p>In order to complete a cash-out transaction following standard program guidelines, the borrower must have a 6 -month minimum ownership at the time of loan application.</p>
2.14 Subordinate Financing	
Subordinate Financing	<p>Re-subordination of existing subordinate financing will be allowed. The pay-off of an existing subordinate lien with the borrower's own funds is also permitted.</p> <p>The following requirements apply to the terms of the subordinate financing:</p> <ul style="list-style-type: none"> • Maximum CLTV/HCLTV does not exceed the maximum LTV permitted by the program matrix • The subordinate financing must be recorded and clearly subordinate to the new mortgage; title must indicate the lien is in second position • If there is an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt to income ratio. • Secondary financing must be reviewed to ensure that there are no terms that restrict prepayment. Terms that restrict prepayment are not permitted as acceptable secondary financing. Terms that require payment of certain closing costs that were waived upon origination of the subordinate lien loan are not considered a restriction of prepayment. • The source of the secondary financing is not a natural person except when the natural person is the seller of the subject property. • Negative amortization is not allowed. The scheduled payments must be sufficient to cover at least the interest due. <p>If the debt is a home equity line of credit:</p> <ul style="list-style-type: none"> • The CLTV ratio is calculated by adding the amount drawn on the HELOC (not the credit limit unless the full amount has been drawn) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the mortgaged premises. • The HCLTV ratio is calculated by adding the full HELOC credit limit to the first mortgage amount, plus any other subordinate financing, and dividing the sum by the value of the mortgaged premises. • The terms of a HELOC may not provide for a balloon or call option within the first five years after the note date of the new first mortgage <p>If the second is a closed end subordinate lien:</p>

	<ul style="list-style-type: none"> • Maturity date or amortization basis of the junior lien must not be less than five years after the note date of the first lien mortgage, unless the junior lien is fully amortizing • The loan cannot have a balloon or call option within five years of the date of the Note <p>If the subordinate financing is from the borrower's employer:</p> <ul style="list-style-type: none"> • The financing terms may provide for the employer to require full repayment of the debt if the borrower's employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing. <p>In all instances, the following items are required:</p> <ul style="list-style-type: none"> • A copy of the subordinate note or direct verification from the lien holder verifying all items detailed above must be obtained. • A copy of the unsigned subordination agreement prior to closing. • A copy of the executed subordination agreement at closing.
2.15 Construction to Permanent Financing	
Construction to Permanent Financing	<ul style="list-style-type: none"> • All transactions will be treated as Rate and Term Refinances • Borrower must have legal title to the land prior to application and be named as the borrower on the construction financing • LTV/CLTV/HCLTV will be based on the as-completed appraised value regardless of the length of time the borrower has owned the lot • Underwriting reserves the right to ask for additional documentation for use in the completion of the cost analysis when warranted • In all cases, a new note and mortgage for the refinance of the construction financing must be created and the mortgage recorded. Single- close construction-to-perm financing is not available; therefore, modifications of existing construction loans are not permitted • A Certificate of Occupancy from the applicable government authority must be retained in the file, unless a Certificate of Occupancy is not required by a local government. In this case, an Appraisal Update and/or Completion Report (442) must be obtained.
2.16 Payoff Demands	
Payoff Demands	<p>Payoff demand statements are required to ensure the current lien is paid in full prior to closing. The expiration date of the statement must be reviewed. A loan may not move to closing if the payoff will expire prior to funding. If the statement contains an expiration date, the underwriter must verify the date is after the funding date.</p> <p>If the statement does not contain an expiration date, the underwriter must verify a per diem amount is listed. The per diem should be applied to the payoff amount to cover proceeds through the funding date; it can be used for an unlimited number of days; unless otherwise specified in the payoff letter.</p> <p>A payoff demand statement is considered expired when:</p> <ul style="list-style-type: none"> • The document instructs the associate to void after a specified date; or • The interest accrued amount on the statement signals the borrower will be past-due when the new loan funds; <ul style="list-style-type: none"> ○ The borrower must make a mortgage payment prior to closing to avoid a late payment on the credit; and • The borrower must provide evidence the payment has been made and the updated payoff demand must reflect that a payment has been made.
2.17 Maximum # of Financed Properties	

Maximum # of Financed Properties	<p>Borrower(s) may own no more than twenty (20) financed properties including the subject property, unless the current principal residence is pending sale and meets the requirements of this product profile. The borrower may own additional real estate if it is owned free and clear. The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:</p> <ul style="list-style-type: none"> • commercial real estate, • multifamily property consisting of more than four units, • ownership in a timeshare, • ownership of a vacant lot (residential or commercial), or • ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home). • Loan files must disclose full PITIA (principal, interest, taxes, insurance, applicable association dues and/or assessments) for all REO listed on the 1003. Refer to Cash Reserves for additional requirements.
2.18 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	<ul style="list-style-type: none"> • Borrowers limited to eight (8) loans with ALTLOAN not to exceed \$3,000,000 in aggregate. • Borrowers with > twenty (20) financed properties are not eligible • Borrower may have financing with ALTLOAN on a maximum of 10% of the properties in a PUD or condominium project. <ul style="list-style-type: none"> ○ For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed ○ ALTLOAN financing is limited to a maximum concentration of 20% in any Florida condominium project. This limitation is per project and not per borrower.
2.19 Ineligible Transactions	
Ineligible Transactions	<p>Unacceptable loan types include but are not limited to the following, provided, however, that in the event that any of these limitations would violate the requirements of the Equal Credit Opportunity Act or the Fair Housing Act, the provisions of those laws and implementing regulations are controlling:</p> <ul style="list-style-type: none"> • Any loan that meets an agency, state or a federal definition of a high cost loan • High Priced Mortgage Loans (HPML) in the state of Connecticut (CT) • Cross-collateralization or Blanket loans, covering multiple properties • Bridge loans • Deed-Restricted Properties (exceptions will be considered on a case-by-case basis) • Lease-Purchase Options • Model Home Lease-Backs • Texas 50(a)(6) transactions • Mortgage Credit Certificates (MCC) • Temporary Buydowns • Land trusts • Leaseholds secured by Indian/Tribal lands • 1031 Reverse Exchanges • Loans to fund escrows for work completion except as provided in this guide • Loans to officers / owners of ALTLOAN's approved mortgage broker. • Flip transactions (multiple private transfer in the last 12 months; see Property Flips for more details) • Refinancing of a subsidized loan, including loans subsidized by Habitat for Humanity, U.S. Department of Agriculture, FHA with a recapture or any city/county grant. • Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction.

	<ul style="list-style-type: none"> Loans with any fraudulent activities including but not limited to straw borrowers, straw buyers, builder/seller bailout plans, multiple property payment skimming, which typically involves investors who purchase investment properties with seller carry back financing and collect rents but do not make the mortgage loan payments. Foreclosure bailouts of any kind. (An arms-length purchase of a short sale is not deemed a foreclosure bailout.)
Section 3: Borrower Eligibility	
3.1 Occupancy	
Occupancy	<p>Eligible occupancy types include:</p> <ul style="list-style-type: none"> 1-4 Unit Investment Properties
3.2 Borrower Eligibility	
Borrower Eligibility	<ul style="list-style-type: none"> An individual who has a minimum of twelve (12) or more months with ownership and management of residential or commercial real estate. Borrowers must be either <ul style="list-style-type: none"> U.S. Citizens or Lawful permanent residents of the United States – refer to section 3.3 Non-U.S. Citizen Borrowers All borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. No more than 4 borrowers may be party to any transaction. First Time Home Buyers are not permitted
3.3 Non-US Citizen Borrowers	
Non-US Citizen Borrowers	<p>ALTLOAN funds mortgages made to non-U.S. citizens who are lawful permanent residents of the United States that meet the following requirements:</p> <ul style="list-style-type: none"> Permanent Resident Aliens; provide evidence of lawful residency and must meet all the same standards as U.S. citizens. <ul style="list-style-type: none"> A copy of the borrower's identification is required to verify review of the acceptable documentation that evidences borrower is eligible to lawfully reside in the U.S. Valid Green card, evidence of continuous status for at least 12 months and 12-month remaining status. Borrower must be employed in U.S. for the last 24 months or have acceptable education documentation (e.g., college transcripts) combined with employment to total at least 24 months Foreign Nationals are not eligible Non-Permanent Resident are not permitted
3.4 First Time Homebuyers	
First Time Homebuyers	<p>First Time Home Buyer is defined as a borrower who had no ownership interest in a residential property during the three-year period preceding the date of the purchase of the subject property. Only one borrower must meet the homeownership requirements to meet standard guidelines and not be considered a first-time homebuyer loan. First Time Home Buyers are not eligible for this product.</p>
3.5 Non-Occupant Co-Borrowers	
Non-Occupant Co-Borrowers	Not Permitted
3.6 Power of Attorney	
Power of Attorney	<p>The use of a Power of Attorney must be approved by ALTLOAN's Underwriting and Legal teams. Generally, a Power of Attorney may be used for closing in the following scenarios:</p>

- **Incapacitated Borrower** - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability;
 - Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loanfile;
 - Example: verify the signer of the POA is not acting as a straw buyer or purchasing an investment property utilizing the incapacitated borrower's credit.
- **Military Personnel** - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing;
- **Hardship Circumstance** - the borrower is unable to attend closing because he/she is out of the state or country for an extended period of time, bedridden, in the hospital with a serious illness, or the borrower is incarcerated.
 - POA will not be permitted for borrowers that are on vacation
- **Government Contractor** – the borrower is employed by the government and currently working overseas
 - A letter from the borrower's employer is required to verify overseas travel
- **Business Reasons**– permitted on Purchase and Rate/Term Refinance transactions when the co-borrower/spouse has Power of Attorney for the unavailable borrower

There are 4 acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf:

- **Attorney-in-fact** - he/she may sign the security instruments as long as ALTLOAN obtains a copy of the POA. In some jurisdictions the POA must be recorded with the security instrument; in this case, ALTLOAN must confirm the document has been recorded. The person acting as the attorney-in-fact must have a familial, personal or fiduciary relationship with the borrower and can't have any type of financial interest in the transaction or be involved in the transaction in any capacity such as the closing agent / attorney, broker or realtor;
- **Specific** - this type of POA is specific to the mortgage transaction; therefore, the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing;
- **Durable** - traditionally a POA becomes ineffective upon the disability of the principal but the POA must remain valid even if the borrower becomes incapacitated or disabled prior to closing. In order for the POA to be acceptable it must contain the following language 'This POA shall not terminate on the disability of the principal' or 'This POA is not affected by the subsequent disability of incapacity of the borrower';
- **General Military** - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty.

All loan files wishing to utilize a power of attorney must meet the following requirements:

- POAs are not permitted on cash-out transactions
- POAs may only be used to execute the final loan documents
 - The Borrower who executed the POA signed the initial Form 1003
- A Letter of Explanation from the borrower advising why the loan is closing with a POA
- Completed and Signed POA Form
- The following persons are not permitted to sign as a Power of Attorney:
 - The lender
 - Any affiliate of the lender;
 - Any employee of the lender or any other affiliate of the lender;
 - The loan originator;
 - The employer of the loan originator;
 - Any employee of the employer of the loan originator;

	<ul style="list-style-type: none"> ○ The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or ● Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent. No POA eligible on cash-out refinance
3.7 Trusts	
Trusts	<p>Living Trust / Inter Vivos Revocable Trust Only</p> <ul style="list-style-type: none"> ● All trust requests must be approved in writing by the ALTLOAN Compliance Group with the following documentation <ul style="list-style-type: none"> ○ Title Commitment ○ Any Existing Trust Certification ○ Entire Trust Agreement (The trust must be signed, notarized, and dated by all applicable parties) ○ All Amendments to the Trust ○ Death Certificates, if applicable ○ Divorce Decrees, Marriage Certificates and Proof of name change, etc. ● Prior to submission, confirm the trust meets the following requirements: <ul style="list-style-type: none"> ○ The borrower or borrowers must be creator(s) of the trust. The creators of the trust are usually called the Grantor, Settlor or Trustor ○ The borrower(s) must be the trustee(s) of the trust (or there must be an approved institutional trustee) ○ The trust must be revocable ○ The borrower(s) must be the primary beneficiaries of the trust ○ The trustee(s) must have the authority to borrow money and pledge the trust property as security ○ The trust must have been created during the lifetime of the borrower(s); it may not have been created by a will ● In the event ALTLOAN Compliance Group feels the trust documentation provided is ambiguous or has concerns interpreting the documentation, an Attorney Opinion Letter from the borrower's attorney will be required ● In the event a trust certification is not available for a state, Form A must be utilized ● A Final Trust Certification, created by the ALTLOAN Compliance Group, must be executed at closing <p><u>California Exception</u></p> <ul style="list-style-type: none"> ● For Trust Properties in California a trust certification <u>completed by the borrower or the borrower's attorney</u> is acceptable in lieu of the full trust documents. The title commitment is still required ● Should any portion of the trust certificate be found inaccurate or in disagreement with the title report, <u>this exception cannot be applied</u> and the complete trust documents must be provided ● This exception to trust documentation is ONLY for properties located in California. <p><u>Non-Inter vivos Trust Estates</u> Blind trusts, Life Estates, and Land Trusts are not eligible for financing.</p>
3.8 Non-Arm's Length Transactions	
Non-Arm's Length Transactions	<p>A non-arm's length transaction is one where the parties to the transaction are related such as family members, employer/employee, or principal/agent. An at-interest transaction involves persons who are not closely tied or related to the borrower but may have a greater vested interest in the transaction. Such relationships with the Borrower may be (but are not limited to):</p>

	<ul style="list-style-type: none"> • Family Members – (Permitted on Owner Occupied purchases only) • Mortgage loan officer • Originating lender (owner, employees or family members) • Real Estate Broker (including listing and selling agents) • Employer • Closing Agent • Appraiser • Builder/Developer • Trading properties with the Seller • Foreclosure bailouts <p>Non-arm's length transactions are allowed for the purchase of existing property. For the purchase of newly constructed properties. Non-arm's length transactions are not permitted if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property.</p> <p>When tenant is buying from landlord/seller, a Verification of Rent (VOR) from a third-party management company is acceptable. If there is no third-party management company, provide the most recent 12 months cancelled rent checks or 12 months bank statements.</p> <p>Situations where the borrower has a dual role in the transaction, namely as borrower and as another party in the same transaction are prohibited. These include, but are not limited to, situations where the borrower is also:</p> <ul style="list-style-type: none"> • The builder • The loan officer on the transaction • The listing agent • Both the listing and selling agent • Exception: Borrower is allowed to be the selling agent in the transaction where borrower is the purchaser so long as borrower is not also the listing agent.
3.9 Vesting	
Vesting Options	<p>Individual, Corporation, LLC, and Partnerships are permitted.</p> <ul style="list-style-type: none"> • All owners of the borrowing business entity must sign the closing documents • All owners of the borrowing business entity must be natural persons • All owners of the borrowing business entity must be listed as borrowers on the transaction • Loan must be disclosed to all borrowers and the borrowing business entity • Transaction is limited to no more than FOUR borrowers, including the borrowing business entity. • The following documentation must be provided: <ul style="list-style-type: none"> ○ Business Formation Documents I.e. Articles of Incorporation, Bylaws, Charter, Articles of Association, etc. <ul style="list-style-type: none"> ▪ Any documents received must document that they have been filed properly and certified with the appropriate state. ○ Operating/Partnership Agreement <ul style="list-style-type: none"> ▪ Document must reflect all member ownership interest in the business/entity ○ Tax Identification Number ○ Certificate of Good Standing
3.10 Ineligible Borrowers	
Ineligible Borrowers	<ul style="list-style-type: none"> • Borrowers without experience owning investment properties • Non-Occupant Co-Borrowers / Co-Mortgagors / Co-Signers / Guarantors

	<ul style="list-style-type: none"> Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction; Foreign Nationals Non-Permanent Resident Aliens First Time Home Buyers
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	<p>Eligible Property Types include:</p> <ul style="list-style-type: none"> Attached/Detached SFRs Attached/Detached PUDs Low/Mid/High-Rise Condos and Site Condos (Warrantable and Non-Warrantable) 2-4 Unit Properties
Mixed Use Properties	
Mixed Use Property	Not Permitted
Non-Conforming Additions/Granny or In-law Suites/Accessory Units	
Non-Conforming Additions, Granny or In-law Suites, and Accessory Units	<p>Properties with accessory units, also known as Granny units, mother-in-law suites, etc., may be acceptable if all of the following criteria are met:</p> <ul style="list-style-type: none"> 1-unit property. Subject property is typical, common and readily-acceptable in the subject property's market area. Rental income from the accessory unit may not be used to help the Borrower qualify. Existence of the unit must not jeopardize any future hazard insurance claim. Subject property must conform to all zoning laws and/or regulations. Legal non-conforming use may be acceptable provided the subject property's current use does not adversely affect its market value and marketability. Accessory unit is substantially smaller than the primary unit.
Multiple Dwellings on One Lot	
Multiple Dwellings on One Lot	<p>Single family properties containing additional residential dwellings (guesthouse, carriage house, etc.) must comply with local zoning regulations. They must be typical and common within the subject property's neighborhood. Typically, the additional dwelling(s) are smaller than the main dwelling and will not be rented. The subject property should be appraised as a single-family residence. Any value for the additional dwellings should be supported by comparable sale(s). Properties with two or more fully-functioning detached single-family homes on a single lot are ineligible. Properties that have a mobile or manufactured home as an additional unit on the subject lot are not acceptable regardless of whether they are used as storage or occupied.</p>
Maximum Acreage	
Maximum Acreage	<p>Properties are limited to 20 acres. Acreage and land value must be typical and common for the subject's market. The appraiser must indicate the total acreage as well as provide data which indicates that like-size properties with similar land values are typical and common in the subject area's market. It is not acceptable to have property appraised with only 20 acres in order to meet eligibility.</p>
Properties with Oil/Gas Lease	
Oil and Gas Lease	<p>Properties Subject to Existing Oil/Gas Leases must meet the following:</p> <ul style="list-style-type: none"> Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease. No active drilling. Appraisal photos, appraiser comment(s) or current survey should show no active drilling. No lease recorded after the home construction date. <ul style="list-style-type: none"> Re-recording of a lease after the home was constructed is permitted. Property must be connected to public water.

Leasehold Properties	
Leasehold Properties	<p>Leasehold properties are permitted where this type of ownership is common and has received market acceptance. The mortgage must be secured by both the property as well as the leasehold interest in the land. The following requirements must be met:</p> <ul style="list-style-type: none"> • Leasehold condominiums are not permitted • The term of the leasehold estate must run for at least five years beyond the maturity date of the loan • The lease must provide that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee. • The lease must provide for the borrower to retain voting rights in any homeowners' association. • The lease must provide that in addition to the obligation to pay lease rents, the borrower will pay taxes, insurance, and homeowners' association dues (if applicable), related to the land in addition to those he or she is paying on the improvements. • The lease must be valid, in good standing, and in full force and effect in all respects. • The lease must not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents. • The lease must include provisions to protect the ALTLOAN's or its assigns interests in the event of a property condemnation. • The lease must provide ALTLOAN or its assigns with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease. • All lease rents, other payments, or assessments that have become due must be paid. • The borrower must not be in default under any other provision of the lease nor may such a default have been claimed by the lessor.
4.2 Condos	
Condos	<p>All loans secured by condos must be reviewed by the ALTLOAN Condo Review team prior to approval.</p> <p>Warrantable Condos</p> <ul style="list-style-type: none"> • Both FNMA Condo Project Manager (CPM) and FNMA Limited Review are allowed • Detached Condo units and 2-4-unit projects do not require project review. HOA cert is not required. <ul style="list-style-type: none"> ○ Property insurance per applicable agency guidelines is required ○ 2-4 unit requires bylaws and declaration if property coverage is by the individual unit owner in lieu of a master HOA policy • If project is currently FNMA approved, a HOA Certification is still required. • New projects are not eligible for Limited Review • New or newly converted projects in Florida are eligible with a Full Review and must meet the following: <ul style="list-style-type: none"> ○ Maximum LTV/CLTV/HCLTV 60% ○ Maximum ALTLOAN exposure in any one project is limited to 20% <p>Non-Warrantable Condos</p> <ul style="list-style-type: none"> • The FNMA investment property concentration limits (i.e., the percentage of nonowner occupied properties within a project) do not apply, and

	<ul style="list-style-type: none"> • Minimum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract. • Single Entity Ownership Exception: <ul style="list-style-type: none"> ○ Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns up to and including 25% of the total number of units in the project are permitted
4.3 PUD (Planned Urban Development)	
PUDs	<ul style="list-style-type: none"> • Planned Unit Developments (PUDs) must comply with the PUD project requirements of Fannie Mae per Section B4-2.3-01 B4-2.3-01 of the selling guide. Borrower may have financing on a maximum of 10% of the properties in a PUD or Condo Project. • For projects < or equal to 10 total units, financing on a maximum of 1 unit is allowed.
4.4 Agricultural Use	
Agricultural Use	<p>Properties with agricultural use are not permitted</p> <ul style="list-style-type: none"> • Properties zoned agricultural that meet the following requirements are permitted: <ul style="list-style-type: none"> ○ Property is residential in nature ○ Property does not have income producing attributes ○ Maximum 10 acres
4.5 Rural Properties	
Rural Properties	<p>A property indicated by the appraisal as rural, or containing any of the following characteristics, is usually considered a rural property:</p> <ul style="list-style-type: none"> • Neighborhood is less than 25% built-up. • Area around the subject is zoned agricultural. • The photographs of the subject show a dirt road. • Comparable sales are more than five miles away from the subject. • Subject property is located in a community with a population of less than 25,000. • Distances to schools and/or amenities are greater than 25 miles. • Subject property and/or comparable sales have lot sizes greater than 10 acres. • Subject property and or comparable sales have outbuilding or large storage sheds. <p>Rural properties must comply with the following criteria:</p> <ul style="list-style-type: none"> • The lot size and acreage must be typical for the area and similar to the surrounding properties. • The subject property must be within reasonable commuting distance to a metropolitan area. • The subject property must be accessible by public roads and highways. • The present use must be the “highest and best use” for the subject property. • The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information. • Property cannot be subject to any idle acreage tax benefit or other tax incentive program.
4.6 Ineligible Property Types	
Ineligible Property Types	<ul style="list-style-type: none"> • Co-ops • Condotels • Leasehold condominiums • Manufactured/Mobile, Modular, or Factory Built Homes • Agricultural properties such as working farms, ranches, or orchards • Log homes • Timeshares

	<ul style="list-style-type: none"> • Geodesic Domes, Berms, Earth homes, other Unique Properties • Properties with Excessive Acreage (> 20 acres) • Properties Purchased Through Auctions • Unimproved Land and property currently in litigation • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel) • Zoning violations including residential properties zoned commercial • Properties with less than 750 square feet of living area • Properties located in a Lava Zone • Properties located adjacent to or containing environmental hazards • Properties appraised with a property condition of C5 or worse 								
4.7 Appraisals									
Appraisals	<ul style="list-style-type: none"> • Appraisals must be ordered through a ALTLOAN approved AMC <ul style="list-style-type: none"> ◦ Appraisers listed on the ALTLOAN Ineligible Appraiser List are not eligible to complete appraisals for loans done through ALTLOAN. • A comparable rent schedule is required <table border="1"> <thead> <tr> <th>Loan Amount</th><th>Appraisal Requirement</th></tr> </thead> <tbody> <tr> <td>≤ \$1,000,000</td><td>One Full Appraisal</td></tr> <tr> <td>> \$1,000,000</td><td>Two Full Appraisals</td></tr> <tr> <td>All properties For Sale By Owner w/LTV >75%</td><td>Two Full Appraisals</td></tr> </tbody> </table> <ul style="list-style-type: none"> • Collateral Desktop Analysis (CDA) with accompanying MLS sheets from Clear Capital is required to support the value of the appraisal. <ul style="list-style-type: none"> ◦ If the CDA returns a value that is “Indeterminate” or lower than the appraised value and exceeds a 10% tolerance then one of the following requirements must be met: <ul style="list-style-type: none"> ▪ A field-review <ul style="list-style-type: none"> • If the field review value is ≤ 5% below the appraised value, the appraised value is acceptable for LTV calculations. • If the field review value is > 5% below the appraised value, a second appraisal will be required. ▪ 2nd full appraisal may be provided in lieu of a field review. The lower of the two values will be used as the appraised value. • For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply: <ul style="list-style-type: none"> ◦ Second full appraisal is required. ◦ Property seller on the purchase contract is the owner of record. ◦ Increases in value should be documented with commentary from the appraiser and recent paired sales. ◦ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu. • When two appraisals are required the following is required: <ul style="list-style-type: none"> ◦ Appraisals must be completed by two independent companies. ◦ The LTV will be determined by the lower of the two appraised values as long as the lower appraised appraisal supports the value conclusion. ◦ Any inconsistencies between the two appraisal reports must be addressed and reconciled. ◦ If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon ◦ A CDA is not required 	Loan Amount	Appraisal Requirement	≤ \$1,000,000	One Full Appraisal	> \$1,000,000	Two Full Appraisals	All properties For Sale By Owner w/LTV >75%	Two Full Appraisals
Loan Amount	Appraisal Requirement								
≤ \$1,000,000	One Full Appraisal								
> \$1,000,000	Two Full Appraisals								
All properties For Sale By Owner w/LTV >75%	Two Full Appraisals								

	<p>Additional Requirements:</p> <ul style="list-style-type: none"> • Transferred appraisals accepted with the following: <ul style="list-style-type: none"> ○ ALTLOAN will submit appraisal through Collateral Underwriter <ul style="list-style-type: none"> ▪ Appraisal must receive score of 3.5 or less with no overvaluation ○ Appraisal is subject to Collateral Desktop Analysis process as noted above • The re-use of an appraisal is not permitted • Recertification of value is not permitted. If appraisal is over 120 days old, a new full appraisal is required. • If an appraisal notes a Declining Market as outlined in Section 4.8, a second full appraisal is required when one appraisal is otherwise acceptable
4.8 Declining/Soft Markets	
Declining/Soft Markets	<p>If any appraisal associated with the subject property is defined by the appraiser as declining, a 5% reduction to the maximum LTV is required.</p> <p>A market will be deemed “declining” if:</p> <ul style="list-style-type: none"> • Appraiser indicates in Neighborhood Section that market is declining • Appraiser indicates anywhere in comments that market is declining • Any Appraisal Review indicates that the market is declining <p>At its discretion, ALTLOAN may publish a Market Risk Rating Listing requiring additional valuation products (field review or 2nd full appraisal) on properties in certain geographic areas. As of the date of this publication, there are no geographical areas defined in the Market Risk Rating List. When two appraisals are required, the lesser of the two values will be used for qualification purposes.</p>
4.9 Property Flips	
Property Flips	<ul style="list-style-type: none"> • For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply: <ul style="list-style-type: none"> ○ Second full appraisal is required. ○ Property seller on the purchase contract is the owner of record. ○ Increases in value should be documented with commentary from the appraiser and recent paired sales. ○ The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu. <p>There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months, unless the property seller is a GSE, bank, or licensed mortgage company, then no seasoning is required.</p>
4.10 Properties Previously Listed for Sale	
Properties Previously Listed for Sale	<p>Rate/Term Refinance:</p> <ul style="list-style-type: none"> • Subject property must not be currently listed for sale. It must be taken off the market prior to the mortgage application. <p>Cash-Out Refinance:</p> <ul style="list-style-type: none"> • Properties listed for sale in the six months preceding the application date of the new mortgage loan are limited to 70% LTV/CLTV/HCLTV (or less based off loan parameters). Properties must be taken off the market prior to the application of the new mortgage loan.
4.11 Disaster Areas	
Disaster Areas	<p>Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters.</p>

	<p>Refer to the ALTLOAN FEMA Declared Disaster Policies and Procedures for applicable requirements.</p> <p>For loans secured by properties appraised after the Federal/State declaration, the following post-disaster guidelines apply:</p> <ol style="list-style-type: none"> 1. Appraiser must note any damage and its effect on marketability and value. 2. Electronic evaluations are not acceptable.
4.12 Dampness	
Dampness	<p>If the appraisal report notes evidence of dampness, the appraiser must clearly define the effect on value and marketability of the subject property, as well as comment regarding the probable cause of the dampness problem and if typically, incurable in the surrounding neighborhood. Prior to closing satisfactory evidence that the condition was corrected or a professionally prepared report indicating that the condition does not pose any threat of structural damage must be provided.</p>
4.13 Electrical Systems	
Electrical Systems	<p>An electrical certification from a licensed electrician is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.</p>
4.14 Foundation Settlement	
Foundation Settlement	<p>If the appraisal report notes evidence of excessive foundation settlement, the appraiser must clearly define the effect on value and marketability of the subject property. Settlement problems which denote structural deficiencies and/or significant negative impact on value and marketability must be corrected prior to closing. A structural engineer's report is required prior to making a loan decision.</p>
4.15 Heating Systems	
Heating Systems	<p>A central heat source with ductwork or baseboard in all rooms is required on all properties except those in geographic regions where heating is not required. If the subject property does not have central heat, the appraiser must provide similar comparable properties and an addendum indicating:</p> <ul style="list-style-type: none"> • The heat source is typical for the area • The heat source is permanently attached • The heat source is adequate for the dwelling • The heat source is externally vented
4.16 Sewage Disposal System	
Sewage Disposal System	<p>Sewage disposal systems may require certification if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or qualified entity stating:</p> <ul style="list-style-type: none"> • The sewage disposal system complies with applicable local and/or state health standards, is in proper working order, and can be expected to function satisfactorily; or • Local and/or state health standards do not apply for the sewage disposal system; however, it is found to be in proper working order and adequate for the subject property. <p>For systems one year old or less, the certification may be no more than one year old on the date of loan closing. For systems more than one year old, the certification may be no more than 120 days old on the date of loan closing.</p>
4.17 Water Supply	
Water Supply	<p>A water supply certification is required if the appraiser or purchase contract indicates the necessity. The report should be provided by a city, county, state (or governing body) official or a qualified entity stating:</p>

	<ul style="list-style-type: none"> The water supply system is in proper working order and pumping an adequate supply of water for the subject property; and The water supply is potable and complies with local and/or state health authority standards (in the absence of a local health authority, a reputable chemical testing agency must certify that the water is fit for human consumption). <p>The water certification(s) for existing properties may be no more than 120 days old on the date of loan closing. If new construction, the report may be one year old as of the date of loan closing.</p>
4.18 Hazardous Conditions	
Hazardous Conditions	Properties with hazardous conditions or impact from local hazardous conditions are ineligible.
4.19 Pest Infestation	
Pest Infestation	If the appraisal report or sales contract notes evidence of termites or other insect infestation, a pest inspection report certifying treatment of the infestation prior to closing is required. Any significant structural damage due to pest infestation must be corrected prior to closing.
4.20 Plumbing/Plumbing Certification	
Plumbing/Plumbing Certification	A plumbing certification from a licensed plumber is required whenever the appraisal states a fair or poor rating concerning the adequacy or condition of the system. Any inadequacies must be corrected prior to closing.
4.21 Private Roads	
Private Roads (Community-Owned or Privately Maintained Streets)	<p>If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction:</p> <ul style="list-style-type: none"> responsibility for payment of repairs, including each party's representative share; default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations; and The effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners. <p>Note: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.</p>
4.22 Geographic Restrictions	
Geographic Restrictions	At this time, ALTLOAN cannot fund loans secured by properties located in Alaska and Hawaii.
Section 5: Income & Employment	
5.1 Income	
Income	<p>Income used to qualify the borrower is based upon cash flows from property owned using a Debt Coverage Ratio (DCR) calculation.</p> <ul style="list-style-type: none"> Employment and income information from the borrower is not to be provided. A 4506T is NOT required in addition to any other employment rated income documentation. Additional sources of income are not eligible to be used for qualifying purposes. <p>Purchase Transaction:</p> <ul style="list-style-type: none"> Appraisal Form 1007 will be utilized to determine the monthly rent. <p>Refinance Transaction:</p>

	<ul style="list-style-type: none"> • The most recent lease agreement and Appraisal Form 1007 will be utilized to determine the monthly rent. • If the lease agreement reflects greater than market rents shown on Form 1007, then the lease agreement may be utilized as long as the lease is within 10% variance from the Form 1007. If the lease is > 10% variance, the underwriter must use Form 1007. • Short Term Leases – use leases used throughout the year and average over the 12-month period. If there are months where the property was vacant, use zero for that month in the average. The average should be supported by the comparable rent schedule within reason. <ul style="list-style-type: none"> ○ AirBNB, VRBO, and similar rental services are not acceptable. • An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease is allowed with proof of most recent month's rental payment to the borrower. <p>Debt Coverage Ratio (DCR)</p> <ul style="list-style-type: none"> • The debt coverage ratio is calculated by taking 100% of the gross rents divided by the PITIA of the subject property • The following should be used to calculate the P&I of the subject property for purposes of determining the PITIA of the subject property: <ul style="list-style-type: none"> ○ Fixed Rate: Use the Note Rate ○ Adjustable Rate: <ul style="list-style-type: none"> ▪ 5/1 – Use the greater of the fully-indexed rate* or Note rate ▪ 7/1, 10/1 – Use the Note Rate ○ Interest Only: Use the greater of the fully-indexed rate* or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired • Rents are derived from the <u>lesser</u> of the lease agreement or Form 1007 unless within the 10% variance listed above. • In order for the loan to qualify it must meet the following requirements: <ul style="list-style-type: none"> ○ DCR Purchase = 1.0 ○ DCR Rate/Term = 1.0 ○ DCR Cash-Out = 1.0 <p>Debt Coverage Ratio Example(s): Gross Rent from Subject Property = \$2,000 PITIA = \$1,000 \$2,000 gross rents divided by \$1,000 PITIA = 2.0 DCR so the loan qualifies as 1.0 is the minimum DCR.</p> <p>Another example: Gross Rent from Subject Property = \$2,000 PITIA = \$3,000 \$2,000 Gross Rent divided by \$3,000 PITIA = .67 DCR so the loan does not qualify as 1.0 is the minimum DCR.</p> <p>Loans under the Investor DSCR Product are classified as business loans. Appendix Q and ATR Requirements do not apply.</p>
Section 6: Credit	
6.1 Credit	
Credit	<p>A Tri-merge Credit Report is required for every Borrower who executes the Note. The Credit Report should generally include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the Borrower has resided in the past two years.</p> <p>Each Borrower must have a valid and usable score from at least two of the following three</p>

	agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable.
Minimum Credit Standards	
Minimum Credit Standards	<p>A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower's history. All borrowers are required to meet the credit standards and it should be generated based upon at least the following:</p> <ul style="list-style-type: none"> • Three (3) trade lines from traditional credit sources (such as a bank or other financial institution) that reported for 12 months or more prior to the date of loan application (may be opened or closed). <ul style="list-style-type: none"> ○ One trade line must have a minimum 24-month rating ○ One trade line must have a minimum \$5,000 high credit limit. ○ The seasoning and high credit limit may be met with the same trade-line • Loans on which the Borrower is not obligated to make payments (such as loans in a deferment period), collection or charged off accounts, and "authorized user" accounts are not acceptable trade lines for establishing the minimum history. To ensure the validity of the score, each trade line should reflect all repositories that are reporting it. This will identify which trade lines were considered when generating each score. • Disputed accounts are reviewed to determine current balance and payment history (30-day or more delinquency). The following will determine whether or not the derogatory trade-line must be resolved, and a new credit report run prior to loan submission (credit supplements are not permitted to document disputed accounts): <ul style="list-style-type: none"> ○ Zero balance and no derogatory information – no action required ○ Zero balance and derogatory information - remove and pull new credit report ○ A positive balance and no derogatory information– remove and pull new credit report when the disputed account has been open or active in the past 12 months ○ A positive balance and derogatory information– remove and pull new credit ○ Disputed medical collections do not need to be removed • To ensure validity, closely review the scores, the score codes and the Borrower's credit history. Score codes must be consistent with trade line information. For example, if the score code identifies delinquent accounts, the Credit Report must also contain delinquent trade lines. Scores that do not appear to represent an accurate picture of the Borrower's credit risk will not be considered usable. <p>Credit Enhancement process and/or credit services such as rapid re-score, credit enhancement or similar services are not permitted either for purposes of increasing a score for qualification and/or pricing improvement</p> <p>Borrowers may not use a credit enhancement product in order to qualify for the Investor DSCR product or to improve tiers from a pricing standpoint.</p>
Determining the Borrower's Score	
Determining the Borrower's Score	<ul style="list-style-type: none"> • All borrowers must have a minimum credit score per the product matrix. • The score for each borrower is: <ul style="list-style-type: none"> ○ The middle score when the three scores are obtained ○ The lower score when two scores are obtained ○ If only one score is obtained, that is the score. • The representative score is the lowest of all of the borrowers
Payment Histories	
Payment History	Typically, payment histories may be requested and reviewed when the Credit Report indicates that delinquencies have been removed or when the majority of credit is from a non-institutional lender.

6.2 Housing History	
Housing History (Mortgage History or Rent History)	<ul style="list-style-type: none"> • Borrowers must be 0x30x12 on all mortgages and rental verifications. • Rental History must be documented by a Verification of Rent (VOR) by a professional management company and/or private party. If the VOR is by a private party, 12 months cancelled checks or bank statement must be provided. • First time homebuyers are not permitted • Borrowers current living rent free are not acceptable, all borrowers must have 0x30x12 mortgage or rental history. • Borrowers who own their property free and clear must be current on all property-related taxes.
6.3 Derogatory Credit	
Derogatory Credit	<p>The presence of significant derogatory credit events may increase the likelihood of a future default and may represent a higher level of default risk. Examples of significant derogatory credit events include bankruptcies, foreclosures, deeds-in-lieu of foreclosure, pre-foreclosure sales, short sales, and charge-offs of mortgage accounts.</p> <p>ALTLOAN will evaluate the time that has elapsed since the date of the last derogatory information, and confirm that the borrower has re-established an acceptable credit history. The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan. Timeshare accounts are considered installment loans and are not subject to the waiting periods described below.</p> <p>Borrowers whose credit history may preclude them from qualifying for traditional mortgage financing are eligible for ALTLOAN's Investor DSCR product.</p> <ul style="list-style-type: none"> • A written explanation from the borrower is required to explain the cause and significance of the derogatory information. Additional documentation to support the significant derogatory event's cause or completion may be required. Examples of these instances include but are not limited to the following: <ul style="list-style-type: none"> ○ Isolated instances of breach in an otherwise acceptable credit pattern are characterized as a period of slow payments on their credit, such as 30 or 60-day delinquencies resulting from isolated circumstances. ○ Extenuating circumstances are nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations. Bankruptcy, Short-sale, Deed in lieu, periods of significant payment delinquencies, Foreclosure or collections/judgements often arise as a result. Divorce, medical and job loss/layoff are some examples of extenuating circumstances. ○ A strategic default is the decision by a borrower to stop making payments and default on a debt despite having the financial ability to make the payments. Strategic defaults are often triggered by a homeowner who owes more on their home than the property is worth. Borrowers who have prior significant derogatory event such as foreclosure or short sale related to a strategic default are not eligible for the Investor DSCR product. <p>Select credit events that generate severe negative impact to a borrower's credit history are defined as serious derogatory credit, and these events must reach minimum seasoning requirements (waiting period) since completion as detailed below.</p> <p>Multiple credit events that are not a result of the same cause are not permitted (Ex: Borrower who filed bankruptcy on multiple occasions).</p>

Letter of Explanation	
Letter of Explanation	A satisfactory written explanation signed by the Borrower(s) explaining the reason(s) for the credit event or other isolated lapse in their credit performance is required. The explanation must satisfactorily identify the reason(s) for the adverse credit and the timing of the event(s) must be consistent with other application information.
Re-Establishment of Credit	
Re-Establishment of Credit	A Borrower with a significant derogatory credit event or other isolated lapse in their credit performance should evidence that he/she has re-established his/her credit history. Payment histories on accounts should reflect satisfactory payments following the credit event. Late payments on accounts following a credit event should be evaluated to determine a borrower's willingness to repay their obligations. Multiple delinquencies on accounts including collections, charge-offs, judgements or tax liens may require additional explanations, documentation or result in a borrower's ineligibility for the Investor DSCR Program. No new public records, judgments, collections, etc., since the event occurred.
Tax Liens/Payment Plans	
Tax Liens/Payment Plans	<ul style="list-style-type: none"> • Tax liens must be paid prior to or at closing. If tax lien(s) are paid at closing they must be reflected on the final closing disclosure and disbursed by the closing agent • Open tax obligations subject to re-payment plans are permitted when: <ul style="list-style-type: none"> ○ The payment plan is a guaranteed installment agreement ○ (6) Six consecutive months of payments on the payment plan have been made as of the application date ○ Borrower(s) may not be under more than one re-payment plan ○ Monthly payment under the plan terms must be included in the debt to income ratio ○ There may not be an open lien or evidence of a lien filing for the amount under the payment plan • If IRS or State Taxes are owed from a prior tax year(s) and are not a lien showing in credit or on title, they must be paid in full prior to or at closing unless they meet the above allowances for re-payment plans.
Collections and Charge-Offs	
Collections and Charge-offs	<ul style="list-style-type: none"> • Collections and charge-offs meeting the following criteria must be paid in full prior to or at closing. If collection(s)/charge-offs are paid at closing, they must be reflected on the final closing disclosure and disbursed by the closing agent. <ul style="list-style-type: none"> ○ Collection/charge-off is ≤ 24 months at the time of application AND has a balance of \$500 or more OR multiple collections have a balance of \$2000 or more • Medical collections/charge-offs are excluded regardless of amount
6.4 Derogatory Credit Seasoning (Waiting Periods)	
Bankruptcy, Short Sale, Deed-in-Lieu or Notice of Default	
Bankruptcy, Short Sale, Deed-in-lieu or Notice of Default	<ul style="list-style-type: none"> • None within the past four (4) years. • ≥ 2 years and < 4 years is acceptable with the additional requirements below: <ul style="list-style-type: none"> ○ Maximum 70% LTV or existing guidelines whichever is lower and ○ Additional 3 months reserves required for subject property and ○ 0x30 housing history following the credit event
Foreclosure	
Foreclosure	<ul style="list-style-type: none"> • None within the past 4 years • ≥ 3 years and < 4 years is acceptable with the additional requirements below: <ul style="list-style-type: none"> ○ Maximum 70% LTV or existing guidelines whichever is lower and ○ Additional 3 months reserves required for subject property and ○ 0x30 housing history following the credit event

Foreclosed Property Previously included in a Bankruptcy	
Foreclosed Property Previously Included in a Bankruptcy	If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.
Consumer Credit Counseling Services	
Consumer Credit Counseling Services	<p>Borrowers who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future.</p> <p>Borrowers who have entered consumer credit counseling must have completed the counseling prior to loan application and meet all other applicable credit requirements as outlined in this product profile.</p>
Previously Modified Mortgages	
Previously Modified Mortgages	If the borrower is refinancing a loan with a prior modification/restructure then credit requirement is increased to 0x30 in the last 12 months for all mortgages. Modification must be complete on the subject loan to be refinanced and borrower is making on time scheduled payments. There is no additional seasoning requirement prior to refinance.
Lawsuits/Pending Litigation	
Lawsuits/Pending Litigation	If the application, title, or credit documents reveal that the Borrower is presently involved in a lawsuit or pending litigation, a statement from the Borrower's attorney may be required. The statement must explain the circumstances of the lawsuit or litigation and discuss the Borrower's liability and insurance coverage. A copy of the complaint and answer may also be needed. The title company closing the loan must be informed of the lawsuit or litigation and provide affirmative coverage of ALTLOAN's first lien position.
Delinquent Credit Belonging to an Ex-Spouse	
Delinquent Credit Belonging to an Ex-Spouse	<p>Delinquent credit that belongs to an ex-spouse may be excluded from the credit evaluation of the Borrower in the following circumstances:</p> <ul style="list-style-type: none"> • The file contains a copy of the divorce decree or separation agreement which shows that the derogatory accounts belong solely to the ex-spouse; • The late payments can be verified to have occurred after the date of the divorce or separation; and • If the delinquent payments in question relate to mortgage debt, evidence of transfer of title to the mortgaged property prior to the delinquency must be provided, and evidence of "buyout" as part of court proceedings must be provided.
6.5 Debt Coverage Ratio	
Qualifying Ratios	<p>Loan Qualification is based on Debt Coverage Ratio (DCR) for the subject property. Use Note Rate to calculate PITIA for use in the DCR. There is no DTI requirement for this product.</p> <p>Debt Coverage Ratio (DCR)</p> <ul style="list-style-type: none"> • The debt coverage ratio is calculated by taking 100% of the gross rents divided by the PITIA of the subject property • The following should be used to calculate the P&I of the subject property for purposes of determining the PITIA of the subject property: <ul style="list-style-type: none"> ○ Fixed Rate: Use the Note Rate ○ Adjustable Rate: <ul style="list-style-type: none"> ▪ 5/1 – Use the greater of the fully-indexed rate* or Note rate ▪ 7/1, 10/1 – Use the Note Rate ○ Interest Only: Use the greater of the fully-indexed rate* or Note rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired • Rents are derived from the <u>lesser</u> of the lease agreement or Form 1007 unless within the

	<p>10% variance listed above.</p> <ul style="list-style-type: none"> In order for the loan to qualify it must meet the following requirements: <ul style="list-style-type: none"> DCR Purchase = 1.0 DCR Rate/Term = 1.0 DCR Cash-Out = 1.0 <p>Debt Coverage Ratio Example(s): Gross Rent from Subject Property = \$2,000 PITIA = \$1,000 \$2,000 gross rents divided by \$1,000 PITIA = 2.0 DCR so the loan qualifies as 1.0 is the minimum DCR. Another example:</p> <p>Gross Rent from Subject Property = \$2,000 PITIA = \$3,000 \$2,000 Gross Rent divided by \$3,000 PITIA = .67 DCR so the loan does not qualify as 1.0 is the minimum DCR.</p>
Section 7: Assets	
7.1 Assets	
Assets	<ul style="list-style-type: none"> Borrowers must have sufficient liquid assets for down payment, closing costs, and reserves. They must be sourced using the two most recent two (2) months statements or the most recent quarterly statement. Full Asset Documentation is required for both funds to close and reserves in accordance unless specifically noted herein. Verification of Deposit are not permitted to be used in lieu of bank/financial statements If the latest financial institution records are more than 45 days earlier than the date of the loan application, the borrower must provide a more recent, supplemental or bank generated form that shows the account number, balance and date. The records may be computer generated forms including online account or portfolio records downloaded from the Internet. Documents that are faxed to the lender or downloaded from the internet must clearly identify the name of the depository or investment institution and the source of the information – for example, by including that information in the internet or fax banner at the top of the document Large disparities between the current balance and the opening balances may require additional verification or documentation. Large or irregular deposits must be explained and documented <ul style="list-style-type: none"> Large deposits should be evaluated to ensure they are not a result of any new undisclosed debt(s) For refinance transactions documentation or explanation for large deposits is not required;
7.2 Down payment, Closing Costs & Reserves	
Down payment, Closing Costs & Reserves	<p>Down payment</p> <ul style="list-style-type: none"> On purchase transactions, the Borrower must make the down payment with funds from his/her own resources. <p>Reserves: Refer to Section 7.5 Cash Reserves for additional requirements Reserves are based on the complete monthly housing expense for a property including mortgage payments, taxes, insurance, HOA dues, etc. (utilities do not get included). The required number of months of reserves is dependent on factors such as but not limited to the occupancy, loan purpose, type of property, and loan amount. The monthly housing expense for purposes of determining reserves includes the following:</p>

	NOTE: Certain assets are discounted when used for reserves. Refer to the applicable asset type for additional information.
7.3 Acceptable Assets	
Checking & Savings	
Checking & Savings	<ul style="list-style-type: none"> 100% of the funds held in a checking or savings account may be used for the down payment, closing costs, and financial reserves. Any indications of borrowed funds must be investigated. They include recently opened accounts, recent large deposits, or account balances that are considerably greater than the average balance over the previous few months. A written explanation of the source of funds from the borrower must be obtained and the funds must be verified. Funds held jointly with a non-borrowing spouse are considered the Borrower's funds.
Business Assets	
Business Assets	<p>If business funds are used for down payment, closing costs and/or reserves the following requirements must be met:</p> <ul style="list-style-type: none"> The borrower must be the sole proprietor or 100% owner of the business. A maximum of 50% of the account balance may be used towards down payment, closing costs and reserves. Large or irregular deposits must be explained and documented. <p>Funds deposited from the business into the borrower's personal account prior to loan application are considered personal funds. Funds should be sourced</p>
Stocks, Stock Options, Bonds, and Mutual Funds	
Stocks, Stock Options, Bonds, and Mutual Funds	<p>Stocks, government bonds, and mutual funds are acceptable sources of funds for the down payment, closing costs and reserves provided their value can be verified. Stock options may be an acceptable source of funds, but only for down payment and closing costs.</p> <p>Verify</p> <ul style="list-style-type: none"> The borrower ownership of the account or asset The value of the asset at the time of sale or liquidation and The borrower's actual receipt of funds realized from the sale or liquidation of the assets if the stocks, stock options, bonds and mutual funds will be used for the down payment or closing costs. <p>Stocks and mutual funds</p> <p>When used for down payment or closing costs, ALTLOAN must determine the value of the asset at the time of sale or liquidation (net of any margin accounts) by obtaining either:</p> <ul style="list-style-type: none"> The most recent two months or most recent quarterly statement from the depository investment firm or A copy of the stock certificate accompanied by documentation to evidence the stock price as of the application date Receipt of funds must be verified to evidence the sale or liquidation with the following exception: <ul style="list-style-type: none"> If the value of the asset is at least 20% more than the funds needed for the borrower's down-payment and closing costs, no documentation of liquidation is required When used for reserves the current documented value of stocks and mutual funds may be used Non- vested restricted stock is ineligible. <p>Stock Options</p> <ul style="list-style-type: none"> Vested stock options are an acceptable source of funds for down payment and closing costs

	<p>if they are immediately available to the borrower.</p> <ul style="list-style-type: none"> • The value of the vested stock options can be documented by <ul style="list-style-type: none"> ○ Referencing a statement that lists the number of options and the option price AND ○ Using the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock • Vested stock options are not an acceptable source for reserves. • Non-vested stock options are not an acceptable source of funds for the down payment, closing costs or reserves. <p>Government Bonds</p> <ul style="list-style-type: none"> • The value of government bonds must be based on their purchase price unless the redemption value can be documented. • When used for reserves, the current value of bonds may be used
Trust Accounts	
Trust Accounts	<p>Funds disbursed from a borrower's trust account are an acceptable source for the down payment, closing costs and reserves provided the borrower has immediate access to the funds. To document the trust funds:</p> <ul style="list-style-type: none"> • Obtain written documentation of the value of the trust account from either the trust manager or the trustee AND • Document the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on the trust income used in qualifying the borrower for the mortgage
Retirement Accounts	
Retirement Accounts	<ul style="list-style-type: none"> • Vested funds from individual retirement accounts (IRA/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves. • ALTLOAN must verify the ownership of the accounts and the borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction. • When funds from retirement accounts are used for reserves, ALTLOAN does not require the funds to be withdrawn from the account(s). However, ALTLOAN must exercise caution when considering retirement accounts as effective reserves because these accounts often feature significant penalties for early withdrawals, allow limited access, or have vesting requirements. • If the retirement assets are in the form of stocks, bonds, or mutual funds, 100% of the current value may be considered when using for reserves with the following exception: <ul style="list-style-type: none"> ○ If the borrower is not at 59 ½ or older the value of the account should be reduced by 10% to account for an early withdrawal penalty. • If the retirement account only allows withdrawals in connection with the borrower's employment termination, retirement (unless the borrower is of retirement age), or death, ALTLOAN must not consider the vested funds as effective reserves.
Earnest Money Deposit	
Earnest Money Deposit	<p>The deposit on the sales contract (earnest money) for the purchase of the security property is an acceptable source of funds for both the down payment and the closing costs.</p> <p>Verification of source of funds</p> <ul style="list-style-type: none"> • If the deposit is being used as part of the borrower's minimum contribution requirement, the funds must be verified as being from an acceptable source • A request for Verification of Deposit may be used however, VOD's are not acceptable as a standalone documentation source, bank statements are always required • Financial institute records must be seasoned according to matrix requirements and must

	<p>evidence that the average balance for this time was large enough to support the amount of the deposit. If a copy of the cancelled check is used to document the source of funds, the records must cover the period up to and including the date the check cleared the bank.</p> <ul style="list-style-type: none"> • If it cannot be determined that these funds were withdrawn from the borrowers account, additional verification of the source and evidence that the funds have actually changed hands from the borrower to the seller, the realtor, the escrow agent or settlement attorney should be provided. • Large earnest money deposits or deposits that exceed the amount customary for the area should be closely evaluated. <p>Receipt of the deposit must be verified by:</p> <ul style="list-style-type: none"> • Copy of canceled check; • Copy of check not canceled with financial institute record(s) to evidence check cleared; • Evidence from the real estate broker (not the agent) that the funds were deposited into the broker's trust account (i.e., copy of broker's trust account statement); or • Escrow agent/attorney's letter acknowledging receipt of funds. <p>Other forms of verification may be acceptable, so long as the verification clearly indicates that the funds were in the Borrower's possession for at least 90 days prior to transfer.</p>
Anticipated Sales Proceeds	
Anticipated Sales Proceeds	<p>Sales Proceeds from Real Estate Owned Pending Sale</p> <ul style="list-style-type: none"> • If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the source of funds must be verified by obtaining a copy of the fully executed Closing Disclosure/Settlement Statement on the existing home before or simultaneously with the settlement of the new home, showing sufficient cash proceeds to consummate the purchase of the new home.
Borrowed Funds Secured by an Asset	
Borrowed Funds Secured by an Asset	<p>Borrowed funds secured by an asset are an acceptable source of funds for the down payment and closing costs since the borrowed funds represent a return of equity. Assets that may be used to secure funds include:</p> <ul style="list-style-type: none"> • Automobile • Artwork • Collectibles • Real estate • Financial assets • Savings accounts • CDs • Stocks • Bonds • 401k <p>When qualifying the borrower, the underwriter must consider the monthly payments for secured loans as a debt. If the secured loan doesn't require a monthly payment, calculate an equivalent amount and consider it a recurring debt.</p> <ul style="list-style-type: none"> • Retirement Contributions and 401(k) assets being used to secure a loan are not considered an obligation and can be excluded from the qualifying ratios. <p>Documentation</p> <ul style="list-style-type: none"> • Verification of the value of the asset must be provided • A copy of the note securing the financing must be provided • Evidence of the transfer of funds to the borrower must be provided • Evidence that the party providing the secured loan is not a party to the sale • Reduce the value of the remaining asset by the amount of the secured loan balance

	(financial assets only)
Credit Card Financing	
Credit Card Financing	<p>In no case may credit card financing be used for down payment funds. Certain costs that may be paid early in the loan process may be paid via credit card. These costs include:</p> <ul style="list-style-type: none"> • Appraisal • Lock in fee • Commitment fee • Credit report fee
Sale of Personal Assets	
Sale of Personal Assets	<p>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 asset is not a party to the property sale transaction or the mortgage financing transaction</p> <p>Documentation requirements required are:</p> <ul style="list-style-type: none"> • Evidence the borrower owned the asset prior to sale • The value of the asset as determined by an independent and reputable source • A bill of sale or statement from the purchaser showing the transfer of ownership of the asset • Proof of the borrower's receipt of the sale proceeds from documents such as <ul style="list-style-type: none"> ○ Financial Institution Records ○ Copy of purchaser's cancelled check
1031 Exchange	
1031 Exchange	<ul style="list-style-type: none"> • Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031. • Must be investment property • Copy of settlement statement from property being exchanged is required • Reverse 1031 exchanges are not permitted
Gift Funds	
Gift Funds	Gift funds are not permitted
Cash Value of Life Insurance	
Cash Value of Life Insurance	<p>Net proceeds from a loan against the cash value or from the surrender of a life insurance policy are an acceptable source of funds for the down payment, closing costs and reserves. Repayment or additional obligation considerations must be assessed to determine the impact on borrower qualification. If additional obligations are indicated, the obligation amount must be factored into the total debt to income ratio.</p> <p>To document receipt of funds from the insurance company a copy of the check from the insurer OR payout statement issued by the insurer must be retained in the loan file.</p>
7.4 Unacceptable Assets	
Unacceptable Assets	<ul style="list-style-type: none"> • Personal, unsecured loans • Bridge Loans • Digital Currency (ex. Bitcoin) • Gift funds • Anticipated Savings • Cash-on-hand/Mattress Money • Sweat Equity (labor performed by the Borrower or goods or materials provided by the Borrower) • Gifts from seller-funded programs. • Donated funds in any form, such as cash or bonds donated by the seller, builder or selling agent outside of approved financing contributions in the Seller Concession

	<ul style="list-style-type: none">• Net proceeds from a 1031 exchange.• Trade Equity• Pooled Funds• Individual Development Accounts (IDAs)• Funds from a Community Second Mortgage/Down Payment Assistance Program• Funds in a Custodial or “In Trust For” account• Employer Assistance• Rent Credits• Donation from Equities• Withdrawing funds/taking a loan from a non-liquid/retirement account to meet the reserve requirements for the specific loan program• Stocks held in an unlisted corporation																	
7.5 Cash Reserves																		
Cash Reserves	<table border="1"><thead><tr><th colspan="3">Reserve Requirements</th></tr></thead><tbody><tr><td rowspan="2">Loan Amount</td><td>≤ \$1,000,000</td><td>3 Months</td></tr><tr><td>> \$1,000,000 < \$1,500,000</td><td>6 Months</td></tr><tr><td>Derogatory Credit</td><td>Seasoning >2 Yrs < 4 Yrs</td><td>3 Additional Months</td></tr><tr><td>Additional Financed Properties</td><td></td><td>2 Months/Property</td></tr><tr><td colspan="2">Maximum Reserves - Lesser of total required or maximum</td><td>15 Months</td></tr></tbody></table> <ul style="list-style-type: none">• Borrowers who own additional real estate must have 2 months of reserves for each additional property owned including properties that are pending sale and will not be sold prior to the subject transaction closing.• Rate and Term Refinance transactions do not require reserves if the following are met:<ul style="list-style-type: none">○ Loan amount is ≤ \$650,000○ Mortgage history is 0X30X24 or since inception if owned between 12-24 months○ New payment on subject property will be less than current○ Borrower does not have a prior foreclosure, bankruptcy, short-sale or deed-in-lieu• There is a maximum of 15 months of total reserves for the transaction. The PITIA is based on each individual property’s respective PITIA.	Reserve Requirements			Loan Amount	≤ \$1,000,000	3 Months	> \$1,000,000 < \$1,500,000	6 Months	Derogatory Credit	Seasoning >2 Yrs < 4 Yrs	3 Additional Months	Additional Financed Properties		2 Months/Property	Maximum Reserves - Lesser of total required or maximum		15 Months
Reserve Requirements																		
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Maximum Reserves - Lesser of total required or maximum		15 Months																
7.6 Sales & Financing Concessions																		
Sales & Financing Concessions	<p>For purposes of determining the impact of costs paid by the seller of the subject property, or an interested third party, distinctions are made between financing concessions and sales concessions.</p> <p>Financing Concessions (Seller or Other Interested Party Paid Closing Costs)</p> <p>Financing concessions are considered to be funds originating from an interested party to pay closing costs on a purchase transaction. Allowable financing concessions include any of the following:</p> <ul style="list-style-type: none">• Permanent reductions in the interest rate on the mortgage loan;• Contributions related to the mortgage loan financing charges that traditionally would be paid by the Borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows; or• Payment of the cost of other items traditionally paid by the Borrower, such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-recurring closing costs and title insurance. <p>Sales Concessions or Property Inducements</p> <ul style="list-style-type: none">• Sales Concessions are IPCs that take the form of non-realty items. They include:<ul style="list-style-type: none">○ Cash																	

	<ul style="list-style-type: none"> ○ Furniture ○ Automobiles ○ Decorator allowances ○ Moving costs ○ Other giveaways ○ Financing concessions that exceed ALTLOAN limits <p>The value of any sales concession must be deducted from the sales price or appraised value when calculating the LTV and CLTV ratios for underwriting and eligibility purposes.</p> <p>Reviewing Concessions</p> <ul style="list-style-type: none"> • Interested Party Contributions (IPC's) are not permitted to be used to make the borrowers down payment, meet financial reserve requirements, or meet minimum borrower contribution requirements • Ensure that any and all IPC's are identified and taken into consideration • Provide the appraiser with all appropriate financing data and IPCs for the subject property granted by anyone associated with the transaction • Ensure that the property value is adequately supported • Ensure that the LTV/CLTV after any IPC's are taken into consideration remain within stated eligibility limits • Scrutinize all loan and sales contract documents (the sales contract, the GFE, the 1003, the appraisal report, the HUD-1, etc.) • Ensure that all elements of the HUD-1 were taken into consideration during the underwriting process • Ensure that fees and expenses are consistent between all documents. Analyze and resolve any discrepancies. <p>Ineligible Concessions</p> <ul style="list-style-type: none"> • Undisclosed IPCs <ul style="list-style-type: none"> ○ Examples of these types of contributions include but are not limited to: <ul style="list-style-type: none"> ▪ Moving expenses ▪ Payment of various fees on the borrower's behalf ▪ Silent second mortgages held by the property seller ▪ Other contributions that are given to the borrower outside of closing and are not disclosed on the HUD-1 • Temporary Interest Rate Buy-down • Payment Abatements <ul style="list-style-type: none"> ○ The payment of HOA fees is not considered abatement unless the payments extend for more than 12 months. The payment of HOA fees for 12 months or less is considered an interested party contribution.
7.7 Interested Party Contribution Limits	
IPC Limits	Maximum third-party concessions, as a percentage of the purchase price is 2%.
Section 8: Program Details	
8.1 Age of Documentation	
Age of Documentation	<p>Credit Report – Not to exceed 90 days old on the date the Note is signed</p> <p>Income – Oldest document not to exceed 90 days old on the date the Note is signed</p> <p>Assets – Oldest document not to exceed 90 days old on the date the Note is signed</p> <p>Appraisals: Not to exceed 120 days old on the date the Note is signed; appraisal updates are not permitted</p>
8.2 Electronic Signatures	
Electronic Signatures	<p>When signatures are required on initial disclosures and/or closing documents, ALTLOAN allows the use of electronic signatures in most cases. However, ALTLOAN always requires wet signatures on the following documents:</p> <ul style="list-style-type: none"> • Note

	<ul style="list-style-type: none"> • Note Riders (if applicable) • Deed of Trust/Mortgage • Deed of Trust/Mortgage Riders (if applicable) • Notice of Right to Cancel • Any other transaction related documents that require a Notary acknowledgement or will be recorded; e.g. Patriot Act, Power of Attorney, State Specific Documents such as Texas 50(a)(6) loans <p>When electronic signatures are used the appropriate, e-Consent documentation must be provided.</p>
8.3 Escrow Holdbacks and Repair Requirements	
Escrow Holdbacks	<p>Escrow holdbacks are allowed for weather related repairs on purchase transactions only. Renovations are limited to cosmetic only; it cannot affect the safety, soundness, or structural integrity of the property</p> <ul style="list-style-type: none"> • Maximum \$5,000 repair limit • Escrow withhold amount must be at least 1.5 times the cost of repairs <ul style="list-style-type: none"> ○ Example: \$5,000 repairs x 1.5 = \$7,500 total escrow withhold amount • Repairs must be completed within 60 days of the closing date • The subject property may be appraised 'as is' or 'subject to repairs'; but the property condition must be in average condition or better.
8.4 Escrow Waivers	
Escrow Waivers	<ul style="list-style-type: none"> • Escrow waivers are permitted when the LTV is less than or equal to 80% or applicable state law permits. • Flood insurance escrow waiver is not permitted if the property is subject to flood insurance requirements.
8.5 Exception Process	
Exception Process	<p>Loans that do not fully comply with documented guidelines, policies, or procedures are known as "exceptions".</p> <ul style="list-style-type: none"> • Exceptions may be granted with the presence of strong compensating factors to mitigate any additional performance risks. <p>Exceptions must be submitted through the loan file's underwriter to be reviewed and approved by an eligible designated member of the ALTLOAN leadership team. Exceptions may require special pricing, as determined on a case-by-case basis.</p>
8.6 Excluded Parties Lists	
Excluded Parties Lists	<p>All parties involved in each transaction are screened for inclusion on various lists, including without limitation:</p> <ul style="list-style-type: none"> • Freddie Mac's Exclusionary List; • GSA List of Excluded Parties • Office of Foreign Asset Control (OFAC); • Any prior-approved buyer's internal exclusionary list <p>If a match is determined, the loan may be ineligible.</p> <p>All name variations found throughout the loan file must be run when performing the searches.</p> <p>This requirement includes:</p> <ul style="list-style-type: none"> • Borrowers • Seller • Builder • Third Party Originator (Broker/Correspondent) • Third Party Originator's Loan Officer • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent

	<ul style="list-style-type: none"> • Title Company • Closing Attorney • Appraiser and Appraisal Company
8.7 Flood Insurance	
Flood Insurance	<p>Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as an Area of Special Flood Hazard. Such area is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. Life of the loan coverage monitoring is required.</p> <p>Flood Certificate Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). In addition, the appraisal report should accurately reflect the flood zone.</p> <p>Coverage and Deductibles If the subject property is located in a Special Flood Hazard Area, flood insurance is required. The amount of flood insurance must be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. For condominium projects, the homeowner's association should provide a project blanket policy with coverage for the building in which the unit is located. Coverage must be the lesser of 100% of the replacement cost of the building in which the unit is located, including all the common elements and property, or the maximum coverage available under the National Flood Insurance Administration Program times the number of units in the building.</p> <p>Other requirements:</p> <ul style="list-style-type: none"> • The flood insurance policy must contain ALTLOAN's Mortgagee Clause • Deductibles permitted up to the maximum deductible available under the National Flood Insurance Program (NFIP); • The Borrower name and the subject property must be on the flood insurance application or binder; • Evidence of coverage must be provided at closing; and • The insurance must be maintained throughout the duration of the loan. The flood insurance requirement may be waived if: <ul style="list-style-type: none"> ○ The subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or ○ The Borrower obtains a letter from FEMA stating that its maps have been amended such that the subject property is no longer in an area of Special Flood Hazard. The appraisal report should accurately reflect the flood zone. • Flood insurance must be escrowed. Exceptions are not permitted.
8.8 Hazard Insurance	
Hazard Insurance	<p>The subject property must be protected (including when vacant) against loss or damage from fire and other perils within the standard extended coverage. The coverage amount should not be less than the insurable value of the improvements. If such insurable value cannot easily be determined, then the coverage amount should be at least equal to the actual unpaid balance of the loan(s) secured by the property, or the insurer must indicate guaranteed replacement cost coverage. However, the terms of the coverage amount must fully compensate for any damage or loss on a replacement cost basis. In addition, homeowner's insurance must meet the following requirements:</p> <ul style="list-style-type: none"> • Deductibles may not exceed 5% of the face amount of the insurance policy. • The policy must contain the Borrower's name and the full address of the subject property

- The policy must be in effect at closing.
- The loan file must evidence the existence of homeowner's insurance for the subject property. Acceptable proof would be front and back copy of canceled check, the HUD-1 showing payment and receipt for payment of the premium, the insurance binder or the insurance policy.
- In those states that require lenders to accept an insurance binder, the original policy must be received within 30 days after the date of the application.

Hazard insurance policies may include optional coverage(s) which are acceptable, but are not required. For example, a "homeowners" or "package" policy is acceptable as long as the Borrower is not obligated to renew any part of the coverage that exceeds the required coverage.

Project Insurance Requirements: Required Coverage for PUDs and Condos

Most condominium projects have master or blanket policies that address the insurance requirements for each unit. Each loan file must contain a copy of the blanket policy as well as a copy of the Evidence of Insurance that specifies the individual unit. Blanket policies may not permit:

- A blanket policy covering multiple unaffiliated condo associations or projects OR
- Self-insurance arrangements in which the HOA is self-insured or has banded together with unaffiliated associations to self-insure the general and limited common elements of various associations.

For policies covering the common elements in a PUD project and for policies covering condominium or co-op projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy. For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement value of the unit.

Most units in PUD projects are insured as individual residences; therefore, their insurance requirements are similar to those for single-family residences. However, if a project covers individual units with a master policy, the master policy is acceptable.

Special Endorsements

The requirements for endorsements for PUD and condo projects are as follows:

- Inflation Guard Endorsement, when it can be obtained,
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land- use law results in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.), and
- Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of \$2 million or the insurable value of the building(s) housing the boiler or machinery.) In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate stand-alone boiler and machinery coverage.

Special Endorsements for Condo Projects Only

A Special Condo Endorsement is required if the policy doesn't provide that:

- Any Insurance Trust Agreement is recognized and the right of subrogation against unit owners is waived.

	<ul style="list-style-type: none"> The insurance is not prejudiced by any acts or omissions of individual unit owners that are not under the control of the homeowners' association. The policy must be primary, even if a unit owner has other insurance that covers the same loss. <p>Loss Payee</p> <table> <tr> <th>COVERAGE TYPE</th><th>REQUIRED FOR NAME INSURED</th></tr> <tr> <td>Condo Projects</td><td>The policy must show the homeowners' association as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the homeowners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.</td></tr> <tr> <td>PUD common areas</td><td>The policy must show the homeowners' association as the named insured.</td></tr> </table>	COVERAGE TYPE	REQUIRED FOR NAME INSURED	Condo Projects	The policy must show the homeowners' association as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the homeowners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.	PUD common areas	The policy must show the homeowners' association as the named insured.
COVERAGE TYPE	REQUIRED FOR NAME INSURED						
Condo Projects	The policy must show the homeowners' association as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the homeowners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.						
PUD common areas	The policy must show the homeowners' association as the named insured.						
8.9 Interest Credit							
Interest Credit	Permitted up to 5 calendar days into the month						
8.10 Mortgage Clause							
Mortgagee Clause	Shellpoint Mortgage Servicing ISAOA ATIMA PO Box 7050 Troy, MI 48007-7050						
8.11 Mortgage Insurance							
Mortgage Insurance	Not Required						
8.12 Prepayment Penalty							
Prepayment Penalty	<ul style="list-style-type: none"> 2 years – 6 months interest on excess of 20% of the original principal balance Buyout options of 1 or 2 years: <ul style="list-style-type: none"> refer to rate sheet Pre-payment penalties are not permitted in NJ or NM 						
8.13 Process to Add or Remove Borrowers							
Process to Add or Remove Borrowers	<p>Adding Borrowers</p> <ul style="list-style-type: none"> Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information. <p>Removing Borrowers</p> <ul style="list-style-type: none"> Removing a borrower from a loan is allowed only in the following scenarios <ul style="list-style-type: none"> No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application. <ul style="list-style-type: none"> In both of the above scenarios - Request in writing from borrower should be placed in the file supporting their desire to withdraw their name from the application. 						

	<ul style="list-style-type: none"> ▪ Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file. • Removing a borrower from a loan is NOT allowed in the following scenarios <ul style="list-style-type: none"> ○ Loan is declined by underwriting <ul style="list-style-type: none"> ▪ In this scenario the loan would need to be adverse and a new application would need to be taken with only the 1 borrower. ○ Underwriting should not be issuing loan approvals with any type of condition that states 1 borrower needs to be removed. The loan should be declined and have a new application submitted with only the one borrower. <p>Exceptions</p> <ul style="list-style-type: none"> • Any exceptions to the above rules or scenarios not explained above should be submitted to ALTLOAN Compliance for review
8.14 Title Insurance	
Title Insurance	<p>Loans must be covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide, issued by a title insurer generally acceptable under the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide insuring the Originator, its successors and assigns. The final policy must be paid in full, and valid, binding and in full force and effect with language evidencing the policy is transferable to the lender and its successors or assignees.</p> <p>An opinion of counsel will be accepted in lieu of title insurance in jurisdictions where this practice is considered to be usual and customary.</p> <p>In all instances the following criteria must be met:</p> <ul style="list-style-type: none"> • Preliminary title report must be dated no more than 45 days prior to funding. Gap coverage or an updated title must be provided after such time. Gap coverage provided in written form will be good for an additional 60 days. • Preliminary title must indicate that the final title policy will be issued after funding. • Coverage to equal loan amount • The chain of title will be reviewed for flips as part of the underwriting process • Borrower name must be indicated on the title commitment • If borrower's marital status appears to be different than on Form 1003, the discrepancy must be addressed • Cross reference seller name to purchase agreement • Proposed insured must reflect lender's name <p>Title History Review</p> <p>The following information outlines required documentation and/or acceptable sources to satisfactorily verify property ownership for at least 12 months. All files are to contain a 12-month title history from an acceptable source.</p> <p>Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 12 months.</p> <p>Acceptable Sources for Title Transfer Verification</p> <ul style="list-style-type: none"> • Title commitments, preliminary title, full attorney's title opinion, short form title policy • Copies of recorded title transfer deed. • Third-party database sources such as Data Quick, SiteX TM, Appintell, History Pro. <p>NOTE: The appraisal is not an acceptable source to support transfer information. Any requirements to obtain clear title and a clean title policy, such as Statements of Information or copies of Trust Agreements, must be cleared prior to closing. The preliminary policy or title</p>

	<p>commitment must indicate that the final title policy is to be issued after closing.</p> <p>Acceptable Title Exceptions (typically must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property)</p> <ul style="list-style-type: none"> • Customary public utility subsurface easements, the location of which is fixed and can be verified. The exercise of rights of easement must not have an impact on the customary use, enjoyment, or appraised value or marketability of the subject property. • Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, provided that they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements or with the use of the subject property; restrictions, provided that their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the customary use, enjoyment, or appraised value or marketability of the subject property. • Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them. • Encroachments of one (1) foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a ten (10) foot clearance between the buildings on the subject property and the property line affected by the encroachments. • Encroachments on the subject property by improvements on adjoining property, provided that these encroachments extend one (1) foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements. • Encroachments on adjoining properties by hedges or removable fences. • Liens for real estate or ad valorem taxes and assessments not yet due and payable. <p>Survey Requirements</p> <p>If not insured against loss by title insurance, each loan file must contain a survey. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. The survey must conform to the Fannie Mae Selling and Servicing Guides or Freddie Mac Sellers' and Servicers' Guide.</p> <p>Surveys are always required on new constructions homes and are reviewed for:</p> <ul style="list-style-type: none"> • Easements, encroachments and possible boundary violations • Dwelling location reflected on the survey • Unimproved land surveys are not acceptable • An elevation survey to confirm if the property is in a Flood Zone
Section 9: References	
9.1 Disclosures Prepayment Penalty	
Disclosures	<p>Fair Lending Statement</p> <p>ALTLOAN operates in strict compliance with the provisions of the Fair Housing Act and the 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 that the borrower has legal 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. ALTLOAN fully supports the letter and spirit of both of these laws and will not condone discrimination when it determines whether to fund any particular loan. It should be noted, however, that all credit decisions with respect to all mortgage loans are made solely by the related originator, and ALTLOAN does not participate in</p>

	such decisions.	
	Responsible Lending Statement ALTLOAN will not fund loans that are: (a) Mortgage Loans subject to 12 CFR Part 226.32 of Regulation Z, the regulation implementing the Home Ownership and Equity Protection Act of 1994, as amended, or (b) classified and/or defined, as a “high cost,” “threshold,” “predatory high risk home loan” or “covered” loan (or a similarly-classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and/or fees) under any other applicable federal, state or local law.	
Section 10: Version Control		
Eligibility Matrix	Updated Max LTV and Loan Amounts	April 5, 2019
2.7 Interest Only	Added new section to provide interest only details	April 5, 2019
2.17 Maximum # of Financed Properties	Update allowable amount of financed properties to no more than twenty (20)	April 5, 2019
2.18 Multiple Mortgages to Same Individual	Updated to reflect maximum exposure is \$3M in aggregate	April 5, 2019
4.1 Eligible Properties	Added properties with oil and gas leases as eligible with requirements Added leasehold properties as eligible with requirements	April 5, 2019
4.2 Condos	Updated to reflect detached condos and 2-4 unit condos no longer require project review	April 5, 2019
4.5 Agricultural Use	Updated to permit properties with agricultural zoning that meet certain requirements	April 5, 2019
4.6 Ineligible Property Types	Removed leasehold and properties with oil/gas leases	April 5, 2019
4.11 Disaster Area	Updated to refer to ALTLOAN Disaster Policy	April 5, 2019
6.3. Derogatory Credit	Updated to reflect tax payment plans must be documented with 6 months of payments	April 5, 2019