

QUONTIC
MORTGAGE PRODUCT GUIDELINES
TABLE OF CONTENTS

<u>LOAN PROGRAM</u>	<u>PAGE</u>
COMMUNITY DEVELOPMENT PROGRAM:	
OWNER OCCUPIED – Lite Doc Borrower Prepared P&L- 80LTV	2-7
OWNER OCCUPIED – No Ratio No Ratio – 70 LTV	8-13
INVESTOR – Lite Doc	14-21
INVESTOR – DSCR	22-28
FOREIGN NATIONAL	29-34
OWNER OCCUPIED - Streamline Refinance	35-38
INVESTOR – Streamline Refinance	39-42
COMMUNITY DEVELOPMENT MISSION	43

**COMMUNITY DEVELOPMENT PROGRAM
OWNER-OCCUPIED – Lite Doc**

(Wholesale)

Revision Date: 2/11/20

<u>1-4 FAMILY, CONDO & COOP</u>			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
PRIMARY RESIDENCE	PURCHASE & RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	80%	700
	\$2,000,001 - \$3,000,000	75%	700
	\$100,000 - \$2,500,000	70%	680
	\$100,000 - \$3,000,000	65%	660
	CASH OUT REFINANCE (no restriction on cash out)		
	\$100,000 - \$2,000,000	70%	700
	\$2,000,001 - \$3,000,000	65%	700
	\$100,000 - \$3,000,000	60%	660
	SECOND OR VACATON HOME	PURCHASE & RATE/TERM REFINANCE	
\$100,000 - \$2,500,000		70%	700
\$100,000 - \$3,000,000		60%	680
CASH OUT REFINANCE (no restriction on cash out)			
\$100,000 - \$2,000,000		65%	700
\$100,000 - \$2,000,000		60%	680
NOTES:	<ul style="list-style-type: none"> • 2 Units Max LTV is 75% • 3-4 Units Max LTV is 70% • Non-Warrantable Condos: Max 65% LTV. <p>* Loans above \$3,000,000 will be considered with a Max LTV of 65% and a min. Fico score of 700. Please call for details.</p>		

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – Lite Doc

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30 -year amortization
- 15 Year Fixed
- 30 Year Fixed
- INTEREST ONLY: Available on all loan programs except the 15 year fixed. Interest only loans have a 10 year interest only period followed by a 20 year amortization period. See qualifying information below

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD and Co-ops
- Warrantable Condos/Co-ops:
 - Condo/PUD & Co-op Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos/Co-ops:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – Lite Doc

Debt to Income Ratio ("DTI") Guidelines:

- 50% max DTI Ratio (FNMA calculation), using P&L or VOE only (see below).
- 2-4 Family: May add 75% of the non-owner-occupied units' gross rent (based on lower of market rents per appraisal or actual lease rents) to borrower's income.

Employment/Income Documentation:

- W2 Borrowers
 - Original written Verification of Employment (VOE) requested by Quontic verifying two years of employment and current income only. (Prior two years' income not requested.)
 - If business is family owned, VOE must be signed by the business's Accountant or Tax Preparer.
 - Satisfactory quality control check of employer's validity (by Quontic).
- Self Employed Borrowers:
 - Must be self-employed/in business for at least 2 years.
 - Business License (if applicable)
 - A signed original Accountant or Tax Preparer's letter or Self-Employment Verification Form stating: borrower's position/title, ownership percentage and business inception date.
 - A 12-month Income & Expense Statement for the period ending within 90 days of closing. DTI may not exceed 50%.
 - The Accountant/Tax Preparer must have a valid PTIN (preparer tax identification number)
 - Satisfactory quality control check of CPA/Accountant validity (by Quontic).

Other Real Estate Owned:

- Real estate owned under an LLC or Corporation is treated as a business and must be listed under the Employment section on the 1003 (income verified with Profit & Loss Statement). However, if the mortgage on said property is evidenced on borrower's credit report, the property must be listed on the Schedule of Real Estate Owned (see below).
- If Borrowers own other investment properties, Section VI Assets and Liabilities, Schedule of Real Estate Owned of the 1003 must be fully completed to include the following information:
 - Present Market Value
 - Amount of Mortgages & Liens
 - Gross Rental Income (note: will use 75% to qualify loan)
 - Mortgage Payments
 - Other Expenses not escrowed in mortgage payment (taxes, insurance, HOA, etc.)

Asset Verification:

- One-month recent bank statements (all pages) evidencing balance of funds to close, closing costs and reserves. For any large deposit of \$10,000 or greater (cumulative within a month), other than those clearly indicating that they came from a depository institution titled to borrower, borrower must provide a letter of explanation and supporting documentation.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- If Business assets are to be used, the business's Accountant/CPA must verify that business will not be adversely impacted by Borrower withdrawals.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – Lite Doc

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and Back).
OR
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. Large deposits of greater than \$10,000 cumulatively indicated on the bank statement must be sourced.

Cash Reserve Requirements:

- 3 months post-closing PITI reserves (exclusive of cash out)

Gift Funds:

- 100% of funds for down payment, closing costs and reserves may be gifts.
- Borrower must provide fully executed donor gift letter.
Option 1:
 - A copy of donor's cancelled personal check or Official Bank/Certified Check (Official Bank check must have Donor's name as Remitter), and;
 - A copy of Borrower's bank Statement evidencing deposit of Donors gift

OR

Option 2:
 - A copy of donor's non-negotiated check.
 - Donor's bank statement evidencing withdrawal of the gift.
 - Borrower's bank statement evidencing deposit of donor's gift.

Property Seasoning:

- No seasoning for Rate & Term refinances.
- Cash out refinances on properties owned less than 6 months is limited to purchase price plus documented improvement costs.

Credit Requirements:

- Minimum three trade lines established for at least 12 months.
- No late mortgage payments in prior 12 months.
- Credit reports expire after 90 days.

Qualification Rates:

- Interest Only Arms – The greater of the note rate or the fully indexed (Index plus margin) rate is used to calculate the qualifying PITI or PITIA.
- Interest Only Fixed – The note rate is used to calculate the qualifying PITI or PITIA.
- Fully Amortizing Fixed and Arms: Use the note rate to calculate the qualifying PITI or PITIA.

Vesting:

- Natural Persons and Inter Vivo (Living) Revocable Trusts upon approval by Quontic counsel.

Prepayment Penalties:

- None

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company are acceptable.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – Lite Doc

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- 3-4 unit properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law.

Personal Guarantee:

- Full personal recourse is required.

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required).

Bankruptcy History:

- Chapter 7 – waiting period 4 years from dismissal date or discharge date
- Chapter 13 – 2 years from discharge date or 4 years from dismissal date
- Bankruptcies are allowed if they have been settled. Evidence of bankruptcy resolution is required.
- Bankruptcies resolved require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented. The new housing payment must be considered when determining if the situation is adequately resolved.
- If multiple bankruptcies exist in this time frame each must be addressed in the explanation. Loans where the borrower has any late payments occurring after the bankruptcy may be considered on a case by case.

Foreclosure Bailout:

- Not eligible

Short Sale/Deed in Lieu of Foreclosure:

- Must be aged 4 years without any other significant derogatory credit history after event.

Forbearance or Modification:

- May be considered on a case by case basis.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – Lite Doc

New York Properties:

- NY CEMA are acceptable.
- Refinance of a privately owned mortgages is not eligible a CEMA.

Appraisal Requirements:

- Refer to Quontic Bank Appraisal Guidelines.
- A Second Appraisal is required when:
 - Loan amount is greater than \$1,500,000.
 - LTV is greater than 60% where the transaction is a flip (where the seller of the property owns the subject property less than 6 months and the Sales contract price exceeds seller’s acquisition price by 10%).
 - For LTV’s greater than 60% where the purpose of the transaction is Cash-Out, and the property was acquired by the borrower within the 6 months preceding the closing date.
 - When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals.

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

**COMMUNITY DEVELOPMENT PROGRAM
OWNER-OCCUPIED – No Ratio
(Wholesale)**

Revision Date: 2/11/20

1-4 FAMILY, CONDO & CO-OP			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
Primary Residence	PURCHASE & RATE/TERM REFINANCE		
	\$100,000 - \$3,000,000	70%	700
	\$100,000 - \$3,000,000	65%	680
	CASH OUT REFINANCE (no restriction on cash out)		
	\$100,000 - \$3,000,000	65%	700
	\$100,000 - \$3,000,000	60%	680
NOTES:	For LTVs to 80%, Refer to <u>Owner Occupied – DTI</u> guidelines.		

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – No Ratio

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30 -year amortization
- 15 Year Fixed
- 30 Year Fixed
- INTEREST ONLY: Available on all loan programs except 15 year fixed. Interest only loans have a 10 year period followed by a 20 year amortization period.

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD and Co-ops
- Warrantable Condos/Co-ops:
 - Condo/PUD & Co-op Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos/Co-ops:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – No Ratio

Debt to Income Ratio ("DTI") Guidelines:

- No statement of income on the 1003. No DTI calculation is required.

Employment/Income Documentation:

- No employment on the 1003 required. No statement of income on 1003.

Other Real Estate Owned:

- If Borrower owns other properties, must be listed on application.

Asset Verification:

- One-month recent bank statements (all pages) evidencing balance of funds to close, closing costs and reserves. For any large deposit of \$10,000 or greater (cumulative within a month), **other than those clearly indicating that they came from a depository institution titled to borrower**, borrower must provide a letter of explanation and supporting documentation.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- If Business assets are to be used, the business's Accountant/CPA must verify that business will not be adversely impacted by Borrower withdrawals.

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and Back).
OR
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. Large deposits of greater than \$10,000 cumulatively indicated on the bank statement must be sourced.

Cash Reserve Requirements:

- 6 months post-closing PITI reserves (exclusive of cash out)

Gift Funds:

- 100% of funds for down payment, closing costs and reserves may be gifts.
- Borrower must provide fully executed donor gift letter.
Option 1:
 - A copy of donor's cancelled personal check or Official Bank/Certified Check (Official Bank check must have Donor's name as Remitter), and;
 - A copy of Borrower's bank Statement evidencing deposit of Donors giftOR
Option 2:
 - A copy of donor's non-negotiated check.
 - Donor's bank statement evidencing withdrawal of the gift.
 - Borrower's bank statement evidencing deposit of donor's gift.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – No Ratio

Property Seasoning:

- No seasoning for Rate & Term refinances.
- Cash out refinances on properties owned less than 6 months is limited to purchase price plus documented improvement costs.

Credit Requirements:

- Minimum three trade lines established for at least 12 months.
- No late mortgage payments in prior 12 months.
- Credit reports expire after 90 days.

ARM Qualification Rates:

- Note Rate

Vesting:

- Natural Persons and Inter Vivo (Living) Revocable Trusts upon approval by Quontic counsel.

Prepayment Penalties:

- None

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company are acceptable.

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- 3-4 unit properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law.

Personal Guarantee:

- Full personal recourse is required.

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required).

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – No Ratio

Bankruptcy History:

- Chapter 7 – waiting period 4 years from dismissal date or discharge date
- Chapter 13 – 2 years from discharge date or 4 years from dismissal date
- Bankruptcies are allowed if they have been settled. Evidence of bankruptcy resolution is required.
- Bankruptcies resolved require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented. The new housing payment must be considered when determining if the situation is adequately resolved.
- If multiple bankruptcies exist in this time frame each must be addressed in the explanation. Loans where the borrower has any late payments occurring after the bankruptcy may be considered on a case by case.

Foreclosure Bailout:

- Not eligible

Short Sale/Deed in Lieu of Foreclosure:

- Must be aged 4 years without any other significant derogatory credit history after event.

Forbearance or Modification:

- May be considered on a case by case basis.

New York Properties:

- NY CEMA are acceptable.
- Refinance of a privately owned mortgages is not eligible a CEMA.

Appraisal Requirements:

- Refer to Quontic Bank Appraisal Guidelines.
- A Second Appraisal is required when:
 - Loan amount is greater than \$1,500,000.
 - LTV is greater than 60% where the transaction is a flip (where the seller of the property owns the subject property less than 6 months and the Sales contract price exceeds seller's acquisition price by 10%).
 - For LTV's greater than 60% where the purpose of the transaction is Cash-Out, and the property was acquired by the borrower within the 6 months preceding the closing date.
 - When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals.

**COMMUNITY DEVELOPMENT PROGRAM
OWNER-OCCUPIED – No Ratio**

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

**COMMUNITY DEVELOPMENT PROGRAM
INVESTOR – Lite Doc
(Wholesale)**

Revision Date: 2/11/20

1-4 FAMILY, CONDO & MIXED-USE			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
Non-Owner Occupied	PURCHASE & RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	75%	700
	\$100,000 - \$2,000,000	70%	680
	\$2,001,000 - \$3,000,000	70%	700
	\$2,001,000 - \$3,000,000	65%	680
	\$100,000 - \$2,000,000	65%	660
	CASH OUT REFINANCE (no restriction on cash out)		
	\$100,000 - \$2,000,000	70%	700
	\$100,000 - \$2,000,000	65%	680
	\$2,001,000 - \$3,000,000	65%	700
	\$2,001,000 - \$3,000,000	60%	680
		\$100,000 - 2,000,000	60%
NOTES:	<ul style="list-style-type: none"> • Non-Warrantable Condos: Purchase & Rate & Term Max 65% LTV. • Non-Warrantable Condos Cash out Max 60% LTV. 		

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30-year amortization
- 15 year Fixed
- 30 Year fixed
- INTEREST ONLY: Available on all loan programs except the 15 year fixed. Interest Only loans have a 10 year Interest Only period followed by a 20 year amortization period. See qualifying information below.

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD, Mixed Use
- Warrantable Condos:
 - Condo/PUD Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

Mixed Use: Eligible Properties

- 1-4 residential units plus office, store or commercial space.
- Property must be in habitable and marketable condition needing no significant repairs noted by the appraisal.

Square Footage Limits for Mixed-Use Properties:

- Non-residential space cannot exceed 49% of Gross Building Area (GBA)

Ineligible Mixed-Use Properties

- Any property that includes Gas Station, Auto Repair, Funeral Home, Manufacturing, Factory, Dry Cleaner, Laundromat or any type of business that involves chemical usage or any other environmental hazard. (Each loan will be looked at on a case by case basis to determine the business usage acceptability). QB reserves the right to reject any property in its sole discretion.
- Dry Cleaners or Laundromats that do not use chemicals on premises are eligible.

Debt Service Ratios:

- Max DTI Ratio: **50%** (FNMA calculation on investment properties)

Employment/Income Documentation:

- W2 Borrowers
 - [Original written Verification of Employment \(VOE\)](#) requested by Quontic verifying two years of employment and current income only. (Prior two years' income not requested.)
 - If business is family owned, VOE must be provided by the business's Accountant or Tax Preparer.
 - Satisfactory quality control check of employer's validity (by Quontic).
- Self Employed Borrowers:
 - Must be self-employed/in business for at least 2 years.
 - Business License (if applicable)
 - A signed original Accountant or Tax Preparer's letter or [Self-Employment Verification Form](#) stating: borrower's position/title, ownership percentage and business inception date.
 - A [12-month Income & Expense Statement](#) for the period ending within 90 days of closing. DTI Ratio may not exceed 50%.
 - Accountant/Tax Preparer must have a valid PTIN (preparer tax identification number)
 - Satisfactory quality control check of CPA/Accountant validity (by Quontic).

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

Other Real Estate Owned:

- Real estate owned under an LLC or Corporation is treated as a business and must be listed under the Employment section on the 1003 (income verified with Profit & Loss Statement). However, if the mortgage on said property is evidenced on borrower's credit report, the property must be listed on the Schedule of Real Estate Owned (see below).

- If Borrowers own other investment properties, Section VI Assets and Liabilities, Schedule of Real Estate Owned of the 1003 must be fully completed to include the following information:
 - Present Market Value
 - Amount of Mortgages & Liens
 - Gross Rental Income (note: will use 75% to qualify loan)
 - Mortgage Payments
 - Other Expenses not escrowed in mortgage payment (taxes, insurance, HOA, etc.)

Rental Income:

- Rental income used for qualifying purposes will be either the documented lease income or the appraiser's market rental value, whichever is lower.

Asset Verification:

- One-month recent bank statements (all pages) evidencing balance of funds to close, closing costs and reserves. For any large deposit of \$10,000 or greater (cumulative within a month), **other than those clearly indicating that they came from a depository institution titled to borrower**, borrower must provide a letter of explanation and supporting documentation.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- If Business assets are to be used, the business's Accountant/CPA must verify that business will not be adversely impacted by Borrower withdrawals.

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and Back).
OR
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. Large deposits indicated on the bank statement of greater than \$10,000 cumulatively must be sourced.

Cash Reserve Requirements:

- 3 months post-closing PITI reserves (exclusive of cash out)
- Borrowers who own other financed investment properties are required to evidence an additional 2 months of PITI(A) reserves for each of those properties.

Gift Funds:

- 100% of funds for down payment, closing costs and reserves may be gifts.
- Borrower must provide fully executed donor gift letter.

Option 1:

- A copy of donor's cancelled personal check or Official Bank/Certified Check (Official Bank check **must** have Donor's name as Remitter), and;
- A copy of Borrower's bank statement evidencing deposit of donor's gift

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

OR

Option 2:

- A copy of donor's non-negotiated check.
- Bank statement evidencing withdrawal of the gift (from donor's bank statement).
- Borrower's bank statement evidencing deposit of donor's gift.

Property Seasoning:

- No seasoning for Rate & Term refinances.
- Cash out refinances on properties owned less than 6 months is limited to purchase price plus documented improvement costs.

Credit Requirements:

- Minimum three trade lines established for at least 12 months.
- No late mortgage payments in prior 12 months.
- Credit reports expire after 90 days.

Qualification Rates:

- **Interest Only ARMS** –The greater of the Note rate or the fully indexed (Index plus Margin) rate is used to calculate the qualifying PITI or PITIA.
- **Interest Only Fixed** – The Note rate is used to calculate the qualifying PITI or PITIA.
- **Fully Amortizing Fixed and ARMs:** Use the Note rate to calculate the qualifying PITI or PITIA.

Vesting:

- Ownership must be fee simple. Acceptable forms of vesting:
 - Individuals
 - Joint tenants
 - Limited Liability (LLC), Partnerships, Corporations and S Corporations.
- Entity purpose and activities are limited to ownership and management of real property.
- Business entities are limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the entity with a 25% or greater ownership interest must provide personal guarantees of the obligations of the entity in a form satisfactory to Quontic Bank.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- Each member of the entity must receive notice of the loan and its terms prior to closing.

Corporations and LLCs:

- The following entity documentation must be provided:
 - Articles of Organization, Partnership, and Operating Agreements
 - Tax Identification Number
 - Certificate of Good Standing
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - Borrowing Certificate

Personal Guarantees:

- Full personal recourse is required.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

Prepayment Penalties:

- The penalty will be 3% of the UPB for year 1
- The penalty will be 2% of the UPB for year 2
- The penalty will be 1% of the UPB for year 3

Properties Owned:

- There are no restrictions as to how many properties the borrower may own

Borrower Statement of Occupancy:

- Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the “Occupancy Certification”.

Borrower Statement of Business Purpose:

- Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the “Borrower Certification of Business Purpose”.

Rent Loss Insurance:

- All loans will require rent loss insurance covering a minimum of 6 months for the subject property.

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company are acceptable.

Title Insurance:

- Title Insurance amounts must be enough to cover the loan amount.

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- All properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

Personal Guarantees:

- Full personal recourse is required.

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required).

Bankruptcy History:

- Chapter 7 – waiting period 4 years from dismissal date or discharge date
- Chapter 13 – 2 years from discharge date or 4 years from dismissal date
- Bankruptcies are allowed if they have been settled. Evidence of bankruptcy resolution is required.
- Bankruptcies resolved require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented. The new housing payment must be considered when determining if the situation is adequately resolved.
- If multiple bankruptcies exist in this time frame each must be addressed in the explanation.
- Loans where the borrower has any late payments occurring after the bankruptcy may be considered on a case by case

Foreclosure Bailout:

- Not eligible

Short Sale/Deed in Lieu of Foreclosure:

- Must be aged 4 years without any other significant derogatory credit history after event.

Forbearance or Modification:

- May be considered on a case by case basis.

New York Properties:

- NY CEMA loans are allowed
- Refinance of a privately owned mortgages is not eligible a CEMA.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – Lite Doc

Appraisal Requirements:

- Refer to Quontic Bank Appraisal Guidelines
- Second Appraisal is required when:
 - Loan amounts greater than \$1,500,000.
 - LTV is greater than 60% where the transaction is a flip (where the seller of the property owns the subject property less than 6 months and the Sales contract price exceeds seller's acquisition price by 10%).
 - On LTV's greater than 60% where the purpose of the transaction is Cash-Out, and the property was acquired by the borrower within the 6 months preceding the closing date.
 - When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals.

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

**INVESTOR
DEBT SERVICE COVERAGE RATIO (DSCR)
(Wholesale)**

Revision Date: 2/11/20

1-4 FAMILY and CONDO & MIXED-USE			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
Non-Owner Occupied	PURCHASE & RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	75%	700
	\$100,000 - \$2,000,000	70%	680
	\$2,001,000 - \$3,000,000	70%	700
	\$2,001,000 - \$3,000,000	65%	680
	CASH OUT REFINANCE (no restriction on cash out)		
	\$100,000 - \$2,000,000	70%	700
	\$100,000 - \$2,000,000	65%	680
	\$2,001,000 - \$3,000,000	65%	700
	\$2,001,000 - \$3,000,000	60%	680
NOTES:	<ul style="list-style-type: none"> • Non-Warrantable Condos: Purchase & Rate & Term Max 65% LTV. • Non-Warrantable Condos Cash out Max 60% LTV. 		

**INVESTOR
DEBT SERVICE COVERAGE RATIO (DSCR)
(Wholesale)**

UNDERWRITING GUIDELINES

General Guidelines

- Minimum loan amount: \$100,000.

Loan Programs

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30-year amortization
- 15 year Fixed
- 30 Year fixed
- INTEREST ONLY: Available on all loan programs except the 15 year fixed. Interest Only loans have a 10 year Interest Only period followed by a 20 year amortization period. See qualifying information below.

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4 Family, Condo/PUD
- Warrantable Condos:
 - Condo/PUD Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

INVESTOR DEBT SERVICE COVERAGE RATIO (DSCR) (Wholesale)

Mixed Use: Eligible Properties

- 1-4 residential units plus office, store or commercial space.
- Property must be in habitable and marketable condition needing no significant repairs noted by the appraisal.

Square Footage Limits for Mixed-Use Properties:

- Non-residential space cannot exceed 49% of Gross Building Area (GBA)

Ineligible Mixed-Use Properties

- Any property that includes Gas Station, Auto Repair, Funeral Home, Manufacturing, Factory, Dry Cleaner, Laundromat or any type of business that involves chemical usage or any other environmental hazard. (Each loan will be looked at on a case by case basis to determine the business usage acceptability). QB reserves the right to reject any property in its sole discretion.
- Dry Cleaners or Laundromats that do not use chemicals on premises are eligible.

Debt Service Coverage Ratio (DSCR):

- Debt Service Coverage Ratio: **1.00x** minimum for subject property. I.E. Property Gross Rental minus Real Estate Taxes, Insurance, and HOA (if applicable) must be equal or greater than the Principal and Interest payment.

Global DSCR:

- Global Debt Service Coverage Ratio: **None**. Calculation not required.

Employment/Income Documentation:

- [No employment on the 1003 required. No statement of income on 1003.](#)

Debt Service Coverage Ratio (DSCR):

- Debt Service Coverage Ratio: **1.00x** minimum for subject property. I.E. Property Gross Rental minus Real Estate Taxes, Insurance, and HOA (if applicable) must be equal or greater than the Principal and Interest payment.

Global DSCR:

- Global Debt Service Coverage Ratio: **None**. Calculation not required.

Employment/Income Documentation:

- [No employment on the 1003 required. No statement of income on 1003.](#)

INVESTOR DEBT SERVICE COVERAGE RATIO (DSCR) (Wholesale)

Other Real Estate Owned:

- If Borrower owns other properties, must be listed on application.
- There are no restrictions as to how many properties the borrower may own

Rental Income:

- Rental income used for qualifying purposes will be either the documented lease income or the appraiser's market rental value, whichever is lower.

Asset Verification:

- One-month recent bank statements (all pages) evidencing balance of funds to close, closing costs and reserves. For any large deposit of \$10,000 or greater (cumulative within a month), **other than those clearly indicating that they came from a depository institution titled to borrower**, borrower must provide a letter of explanation and supporting documentation.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- If Business assets are to be used, the business's Accountant/CPA must verify that business will not be adversely impacted by Borrower withdrawals.

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and back).
OR
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. Large deposits indicated on the bank statement of \$10,000 or greater cumulatively must be sourced.

Cash Reserve Requirements:

- 6 months post-closing PITI reserves (exclusive of cash-out)

Gift Funds:

- 100% of funds for down payment, closing costs and reserves may be gifts.
- Borrower must provide fully executed donor gift letter.
Option 1:
 - A copy of donor's cancelled personal check or Official Bank/Certified Check (Official Bank check must have Donor's name as Remitter), and;
 - A copy of Borrower's bank Statement evidencing deposit of Donors giftOR
Option 2:
 - A copy of donor's non-negotiated check.
 - Donor's bank statement evidencing withdrawal of the gift.
 - Borrower's bank statement evidencing deposit of donor's gift.

Property Seasoning:

- No seasoning for Rate & Term refinances.
- Cash out refinances on properties owned less than 6 months is limited to purchase price plus documented improvement costs.

INVESTOR DEBT SERVICE COVERAGE RATIO (DSCR) (Wholesale)

Credit Requirements:

- Minimum three trade lines established for at least 12 months.
- No late mortgage payments in prior 12 months.
- Credit reports expire after 90 days.

ARM Qualification Rates:

- **Interest Only ARMS** –The greater of the Note rate or the fully indexed (Index plus Margin) rate is used to calculate the qualifying PITI or PITIA.
- **Interest Only Fixed** – The Note rate is used to calculate the qualifying PITI or PITIA.
- **Fully Amortizing Fixed and ARMs:** Use the Note rate to calculate the qualifying PITI or PITIA.

Vesting:

- Ownership must be fee simple. Acceptable forms of vesting:
 - Individuals
 - Joint tenants
 - Limited Liability (LLC), Partnerships, Corporations and S Corporations.
- Entity purpose and activities are limited to ownership and management of real property.
- Business entities are limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the entity with a $\geq 25\%$ ownership must provide personal guarantees of the obligations of the entity in a form satisfactory to Quontic Bank.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- Each member of the entity must receive notice of the loan and its terms prior to closing.

Corporations and LLCs:

- The following Entity documentation must be provided:
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any
 - Tax Identification Number
 - Certificate of Good Standing
 - Certificate of Authorization for person executing all documents on behalf of the Entity
 - Borrowing Certificate

Personal Guarantee:

- Full personal recourse is required.

Prepayment Penalties:

- The penalty will be 3% of the UPB for year 1
- The penalty will be 2% of the UPB for year 2
- The penalty will be 1% of the UPB for year 3

Borrower Statement of Occupancy:

- Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Occupancy Certification".

INVESTOR DEBT SERVICE COVERAGE RATIO (DSCR) (Wholesale)

Borrower Statement of Business Purpose:

- Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the “Borrower Certification of Business Purpose”.

Rent Loss Insurance:

- All loans will require rent loss insurance covering a minimum of 6 months for the subject property.

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company will not be considered

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- All properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required)

Bankruptcy History:

- Chapter 7 – waiting period 4 years from dismissal date or discharge date
- Chapter 13 – 2 years from discharge date or 4 years from dismissal date
- Bankruptcies are allowed if they have been settled. Evidence of bankruptcy resolution is required.
- Bankruptcies resolved require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented. The new housing payment must be considered when determining if the situation is adequately resolved.
- If multiple bankruptcies exist in this time frame each must be addressed in the explanation.
- Loans where the borrower has any late payments occurring after the bankruptcy may be considered on a case by case.

**INVESTOR
DEBT SERVICE COVERAGE RATIO (DSCR)
(Wholesale)**

Foreclosure Bailout:

- Not eligible

Short Sale/Deed in Lieu of Foreclosure:

- Must be aged 4 years without any other significant derogatory credit history after event.

Forbearance or Modification:

- May be considered on a case-by-case basis.

State Eligibility:

- NY CEMA loans are allowed.
- Refinance of a privately owned mortgages is not eligible a CEMA.

Appraisal Requirements:

- Refer to Quontic Bank Appraisal Guidelines
- Second Appraisal is required when:
 - Loan amounts greater than \$1,500,000.
 - LTV greater than 60% where the transaction is a flip (where the seller of the property owns the subject property less than 6 months and the Sales contract price exceeds sellers acquisition price by 10%).
 - On LTV's greater than 60% where the purpose of the transaction is Cash-Out, and the property was acquired by the borrower within the 6 months preceding the closing date.
 - When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

FOREIGN NATIONAL PROGRAM (Wholesale)

Revision Date 2/11/20

1-4 FAMILY and CONDOS/PUDS			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE
Foreign National Non-Owner Occupied	PURCHASE & RATE/TERM REFINANCE		
	\$100,000 - \$1,500,000	70%	None
	\$1,500,001 - \$2,000,000	65%	None
	\$100,000-\$2,500,000	60%	None
	\$100,000-\$3,000,000 *	55%	None
	CASH OUT REFINANCE (no restriction on cash out)		
	\$1,500,000	60%	None
Notes	*Higher loan amounts may be considered on a case by case basis. Please call for details.		

FOREIGN NATIONAL PROGRAM (Wholesale)

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000.

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30-year amortization
- 15-year Fixed
- 30 Year fixed

Caps:

- 6% after an initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD and Co-ops
- Warrantable Condos/Co-ops:
 - Condo/PUD & Co-op Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
 - Non-Warrantable Condos/Co-ops:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

FOREIGN NATIONAL PROGRAM (Wholesale)

Borrower Eligibility:

- Foreign Nationals only
- ITINs are acceptable
- Borrowers must have valid passport and Visa

Debt to Income (DTI) Ratios:

- Max DTI Ratio: **50%** (FNMA calculation on investment properties)

Employment/Income Documentation:

- Employee (not self-employed)
 - Letter from Borrower's employer stating;
 - Current position / title, length of employment and yearly compensation.
 - Employer's letter must be on employer's letterhead reflecting telephone numbers and address.
 - If letters / documents are written in borrower's language of origin and or reflect income in Borrowers country's national currency, then documents must be translated (see translation requirements below).
- Self Employed Borrowers:
 - A letter from borrower's CPA/accountant or auditor stating:
 - Name and description of borrower's business.
 - Last two years personal income and a year to date income for current year.
 - Letter must be on CPA/Accountants letterhead reflecting telephone numbers and address. CPA letter will expire 120 days from date of issuance (date on CPA letter).
 - If letters/documents are written in borrower's language of origin and/or reflect income in Borrowers country's national currency, then documents must be translated (see translation requirements below).

Original Documents and Translations:

- Documents and Bank statements should be translated in the U.S. by a certified translation company or translator.
- Quontic Bank may require certain documents to be signed by borrowers while outside the United States. These documents may be required to be notarized. Quontic Bank will only accept notaries from a U.S. Embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the U.S. Embassy or Consular seal.

Asset Verification:

Down payment, closing costs and reserves must be wired and verified in U.S. bank prior to closing

- One-month recent **U.S. bank statements** (all pages) evidencing balance of funds to close, closing costs and reserves.
- Joint account holders not on the loan application must provide a letter stating that Borrower has access to 100% of funds in the bank account(s).
- Business assets are acceptable. CPA/Accountant must provide a letter stating that Borrower can access business funds without adversely impacting Borrower's business.
- Seasoning of funds are not required.

FOREIGN NATIONAL PROGRAM (Wholesale)

Down Payment (Earnest Money Deposit) Sourcing:

- Borrower to provide a copy of the cancelled down payment check (front and Back, U.S. bank only)
- OR**
- If down payment was given in the form of an official Bank Check or Certified Check, provide a copy of the bank statement evidencing withdrawal. Large deposits of greater than \$10,000 cumulatively indicated on the bank statement must be sourced.

Cash Reserves:

- 12 months post-closing PITIA reserves (exclusive of cash out)
 - 100% of funds for down payment, closing costs and reserves may be gifts.
 - Borrower must provide fully executed gift letter
- Option 1.**
- A copy of donor's cancelled check or Official Bank / certified check (Official Bank check **must** have Donors name as Remitter), and;
 - A copy of borrower's bank Statement evidencing deposit of Donors gift;
- OR**
- Option 2.**
- A copy of donor's non-negotiated check
 - Donor's Bank statement evidencing withdrawal of the gift.
 - Borrower's bank statement evidencing deposit of donor's gift.

Property Seasoning:

- No seasoning for Rate & Term refinances.
- Cash out refinances on properties owned less than 12 months is limited to purchase price plus documented improvement costs.

Rental Income:

- Rental income used for qualifying purposes will be either the documented lease income or the appraiser's market rental value, whichever is lower.

ARM Qualification Rates:

- Note Rate

Borrower appointed United States Agent:

- Borrower must appoint an acceptable U.S. citizen or Authorized Resident Alien as there representative for service of process in the U.S. (Quontic Bank to approve).
- Borrowers using U.S. formed LLC's or Corporations are not required to name agents for service.
- Agent must provide Quontic Bank evidence of their passport/Green Card.
- Any correspondence or service by Quontic bank will be communicated Via borrower's agent.

OFAC:

- Borrowers listed on the United States Treasury's OFAC website are not eligible for any Quontic Bank loan program.

FOREIGN NATIONAL PROGRAM (Wholesale)

- Borrowers with Diplomatic Immunity are not eligible.

Restricted Countries:

- Please contact your Quontic Account Executive for country restrictions.

Vesting:

- Ownership must be fee simple. Acceptable forms of vesting:
 - Individuals
 - Joint tenants
 - Limited Liability (LLC), Partnerships, Corporations and S Corporations.
- Entity purpose and activities are limited to ownership and management of real property.
- Business entities are limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the entity with a 25% or greater ownership interest must provide personal guarantees of the obligations of the entity in a form satisfactory to QuonticBank.
- Each Entity Member must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application of each member and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- Each member of the entity must receive notice of the loan and its terms prior to closing..

Personal Guarantee:

- Full personal recourse is required.

Corporations and LLCs:

- The following Entity documentation must be provided
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any
 - Tax Identification Number
 - Certificate of Good Standing
 - Certificate of Authorization for the person executing all documents on behalf of the Entity
 - Borrowing Certificate

Prepayment Penalties:

- The penalty will be 3% of the UPB for year 1
- The penalty will be 2% of the UPB for year 2
- The penalty will be 1% of the UPB for year 3
- Borrower/Entity may pay up to 20% of the UPB per year without penalty

Properties Owned:

- There are no restrictions as to how many properties the borrower may own

Borrower Statement of Business Purpose:

- Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Borrower Certification of Business Purpose".

Title Insurance:

FOREIGN NATIONAL PROGRAM (Wholesale)

- Title Insurance amounts must be enough to cover the loan amount.

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- Must include rental loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone. Minimum full replacement or permissible by law.

New York Properties:

- NY CEMA loans are allowed.
- Refinance of a privately owned mortgages is not eligible a CEMA.

Appraisal Requirements:

- A Second Appraisal is required when:
 - Loan amounts greater than \$1,500,000.
 - LTV greater than 60% where the transaction is a flip (where the seller of the property owns the subject property less than 6 months and the Sales contract price exceeds sellers acquisition price by 10%).
 - When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals.

Loan Fees:

Fees:	
Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

**COMMUNITY DEVELOPMENT PROGRAM
OWNER OCCUPIED – STREAMLINE REFINANCE
(Wholesale)**

Revision Date: 2/11/20

<u>1-4 FAMILY, CONDO & COOP</u>			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
PRIMARY RESIDENCE	RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	80%	700
	\$2,000,001 - \$3,000,000	75%	700
	\$100,000 - \$2,500,000	70%	680
	\$100,000 - \$3,000,000 *	65%	660
SECOND OR VACATON HOME	RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	70%	700
	\$100,000 - \$2,500,000	60%	680
NOTES:	<ul style="list-style-type: none"> • 3-4 Units Max LTV is 75% • Non-Warrantable Condos: Max 65% LTV. 		

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – STREAMLINE REFINANCE

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30 -year amortization
- 15 Year Fixed
- 30 Year Fixed

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD and Co-ops
- Warrantable Condos/Co-ops:
 - Condo/PUD & Co-op Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos/Co-ops:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – STREAMLINE REFINANCE

Debt to Income Ratio ("DTI") Guidelines:

- None

Employment & Self-Employment

- No statement of employment or income is required.
- No 1040's, W2's or Paystub's are required.

Other Real Estate Owned:

- If Borrowers owns other investment properties, please provide the following
 - No documentation required.

Asset Verification:

- None

Cash Reserve Requirements:

- None

Property Seasoning:

- 18 Months seasoning for Rate &Term refinances.

Credit Requirements:

- No 30+ day late mortgage payments on subject property in prior 18 months.
- Minimum three trade lines established for at least 12 months.
- Credit reports expire after 90 days.

ARM Qualification Rates:

- N/A

Vesting:

- Natural Persons and Inter Vivo (Living) Revocable Trusts upon approval by Quontic counsel.

Prepayment Penalties:

- None

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company are acceptable.

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

COMMUNITY DEVELOPMENT PROGRAM OWNER-OCCUPIED – STREAMLINE REFINANCE

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- 3-4 unit properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law.

Personal Guarantee:

- Full personal recourse is required.

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required).

New York Properties:

- NY CEMA are acceptable.

Appraisal Requirements:

- For loan amounts <= \$400,000, a full appraisal report is not required.
 - Required: AVM + Property Inspection Report.
- For loan amounts >\$400,000, full appraisal report required.

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

**COMMUNITY DEVELOPMENT PROGRAM
INVESTOR – STREAMLINE REFINANCE
(Wholesale)**

Revision Date: 2/11/20

<u>1-4 FAMILY, CONDO & COOP</u>			
OCCUPANCY	MAXIMUM LOAN AMOUNT	LTV & CLTV	MINIMUM CREDIT SCORE (See notes)
Non-Owner Occupied	RATE/TERM REFINANCE		
	\$100,000 - \$2,000,000	75%	700
	\$2,000,001 - \$3,000,000	70%	700
	\$100,000 - \$2,500,000	70%	680
	\$100,000 - \$3,000,000 *	65%	680
NOTES:	<ul style="list-style-type: none"> • Non-Warrantable Condos: Max 65% LTV. 		

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – STREAMLINE REFINANCE

UNDERWRITING GUIDELINES

General Guidelines:

- Minimum loan amount: \$100,000

Loan Programs:

- 5/1 ARM: 30-year amortization
- 7/1 ARM: 30 -year amortization
- 15 Year Fixed
- 30 Year Fixed

Caps:

- 6% after initial fixed period
- 2% annually thereafter
- 6% lifetime caps
- 3.5% margin
- Floor rate equals margin
- Index 12-month Libor

Eligible Properties:

- 1-4Family, Condo/PUD and Co-ops
- Warrantable Condos/Co-ops:
 - Condo/PUD & Co-op Projects which are FNMA / FHLMC eligible and meet minimum Fannie Mae Limited Review Eligibility requirements:
 - Not be considered a Fannie Mae Ineligible project (see Fannie guide section B4-2.1-02)
 - Meets FNMA appraisal requirements, Chapter B4-1 (as determined by Quontic Bank)
 - Meets FNMA Insurance requirements, Chapter B7-4 (as determined by Quontic Bank)
 - Project does not consist of manufactured Housing
 - Project is completed, including all units and common elements.
- Non-Warrantable Condos/Co-ops:
 - Non-FNMA approved/warrantable Condo/PUD, (No Presale requirement) are acceptable subject to the following:
 - Project approval on case-by-case basis.
 - Project Concentration Limit determined on a case-by-case basis.
 - The project is complete, including all units and common elements

Note: Condo-LTV restrictions apply, see LTV Matrix.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – STREAMLINE REFINANCE

Debt to Income Ratio ("DTI") Guidelines:

- None

Employment & Self-Employment

- No statement of employment or income is required.
- No 1040's, W2's or Paystub's are required.

Other Real Estate Owned:

- If Borrowers owns other investment properties, please provide the following
 - No documentation required.

Asset Verification:

- None

Cash Reserve Requirements:

- None

Property Seasoning:

- 18 Months seasoning for Rate &Term refinances.

Credit Requirements:

- No 30+ day late mortgage payments on subject property in prior 18 months.
- Minimum three trade lines established for at least 12 months.
- Credit reports expire after 90 days.

ARM Qualification Rates:

- N/A

Vesting:

- Natural Persons and Inter Vivo (Living) Revocable Trusts upon approval by Quontic counsel.

Prepayment Penalties:

- 3% 1st year, 2% 2nd year, 1% 3rd year.

Acceptable Collateral:

- Properties that are in good condition and up to residential code and regulations.
- Minor violations with no penalties and no exceptions from the title company are acceptable.

Title Insurance:

- Title Insurance amounts must be sufficient to cover the loan amount.

COMMUNITY DEVELOPMENT PROGRAM INVESTOR – STREAMLINE REFINANCE

Property Insurance:

- Condominiums: Individual condo units must obtain a HO-6 Policy with replacement cost coverage unless the Master Condo policy included walls in coverage.
- A homeowner insurance policy must be obtained with replacement cost coverage.
- 3-4 unit properties must include rental Loss coverage equal to or greater than 6 months of total gross rents.
- Must obtain flood insurance if property is in a flood zone, with minimum coverage equal to full replacement or such amount as permissible by law.

Personal Guarantee:

- Full personal recourse is required.

Judgments and Liens:

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing (prior approval required).

Income Tax Liens:

- All income tax liens (federal, state, local) must be paid off prior to or at loan closing (Prior approval required).

New York Properties:

- NY CEMA are acceptable.

Appraisal Requirements:

- For loan amounts <= \$400,000, a full appraisal report is not required.
 - Required: AVM + Property Inspection Report.
- For loan amounts >\$400,000, full appraisal report required.

Loan Fees:

Application Fee:	\$0
Appraisal Fee:	Actual
Environmental Fee:	\$0
Underwriting Fee:	\$750
Processing Fee:	\$750
Tax Service Fee:	\$75
Courier Fee:	\$75
Flood Cert Fee:	\$19
Attorney Fee:	Actual

LOAN PROGRAM MISSION

Quontic Bank's mission is to provide non-traditional access to prime capital in order to foster homeownership and investment in underserved communities and to diverse underbanked individuals and families.

CDFI CERTIFICATION

Quontic Bank is a US Treasury certified Community Development Financial Institution as defined in 12 C.F.R. 1805.104 as per notice of certification dated June 16, 2015, Certification #151CE013880.

CDFI EXEMPTION

Under applicable law, a loan originated by a CDFI is exempt from the Ability-to-Repay ("ATR") requirements set forth in Section 1411 of Dodd-Frank Act and Regulation Z. So long as originator is certified as a CDFI when it originates the loan, the exemption to ATR is effective and unconditional. Accordingly, the originator or purchaser of such loan shall not have any liability with respect to claims to legal actions brought by borrowers based on originators failure to comply with ATR requirements.

GUIDING UNDERWRITING PRINCIPLES

There exists a significant population of Americans who have demonstrated sustained credit-worthiness and the ability to accumulate substantial real estate investment capital – yet remain under-banked. Credit-worthiness is demonstrated by way of responsible debt habits and repayment ability, and capital accumulation is demonstrated by way of lifelong savings, family and community contributions and home equity. Nonetheless, many remain unfinanceable under Dodd-Frank's strict technical ATR income documentation restrictions due to income volatility, self-employment, non-recurring adverse circumstances, cultural influences, limited income history, inadequate income documentation or being located in low-income communities.

At the same time, historical loan performance data, both Quontic's and industrywide, provide evidence that despite income documentation methodology, significant home equity contributions and favorable credit scores are demonstrative of ability-to-repay and low likelihood of default. Quontic's adaptive underwriting philosophy stems from this basic understanding and is consistent with its US Treasury designation as a CDFI and its mission to foster homeownership amongst the under-banked. Quontic's underwriting considers alternative compensating factors and documentation, deemphasizes limited or irrelevant quantitative factors, and establishes a reasonable expectation of repayment premised upon an application of the 5 C's of Credit:

1. **Character:** Refers to a borrower's reputation and track record of repaying debts, reported as credit scores. Past payment history is a strong indicator of future willingness or ability to repay debts.
2. **Capital:** The equity contribution a borrower puts toward an investment. A large contribution decreases the chance of default.
3. **Capacity:** Measures a borrower's capacity to repay a loan taking into consideration:
 - a. Independently verified sources of employment or self-employment
 - b. availability of family support/gifts
 - c. ability to accumulate assets (liquid and/or property equity)
 - d. empirical data pertaining to historical payment histories of Quontic borrowers and borrowers throughout the US who have similar character (credit) and capital (equity contribution)
4. **Collateral:** Measure's the Bank's security for the loan.
5. **Conditions:** Loan terms (interest rate, loan term, etc.) and external conditions such as the state of the economy, cultural factors, and others.