

Non-QM: EZ DSC Program (01/27/22)

(Applicable to Wholesale Channel only)

Program Summary:

Transaction types	Purchase / Rate and Term / Cash out Refinance	
Occupancy	Investment Property / Business Purpose	
Minimum Loan Amount	\$100,000	
Maximum Loan Amount	\$3,000,000	
Minimum Required FICO	600	
Maximum DTI	Not Applicable	
Housing Payment History	0X30 in prior 12 months 1x30 in prior 12 months but not in 6 months with reduction in LTV by 5%	
Income Documentation type	Income is determined by subject property rent (Lease agreement, Form 1007)	
Waiting Period Requirement	Chapter 7 Bankruptcy	24 months
	Chapter 13 Bankruptcy	24 months
	Housing Event (Foreclosure/DIL/Short Sale)	24 months

Product code

Product Code	Product Description	Product Code	Product Description
SUNNPM0307	NON-QM: EZ DSC TIER 1: 5 YR PPP	SUNNPM0360	NON-QM: EZ DSC TIER 2: 5 YR PPP
SUNNPM0308	NON-QM: EZ DSC TIER 1: 4 YR PPP	SUNNPM0361	NON-QM: EZ DSC TIER 2: 4 YR PPP
SUNNPM0309	NON-QM: EZ DSC TIER 1: 3 YR PPP	SUNNPM0362	NON-QM: EZ DSC TIER 2: 3 YR PPP
SUNNPM0310	NON-QM: EZ DSC TIER 1: 2 YR PPP	SUNNPM0363	NON-QM: EZ DSC TIER 2: 2 YR PPP
SUNNPM0311	NON-QM: EZ DSC TIER 1: 1 YR PPP	SUNNPM0364	NON-QM: EZ DSC TIER 2: 1 YR PPP
SUNNPM0312	NON-QM: EZ DSC TIER 1: NO PPP	SUNNPM0365	NON-QM: EZ DSC TIER 2: NO PPP

Loan Purpose

- Purchase
- Rate & Term Refinance*
- Cash-Out Refinance*Cash back to borrower on Rate and Term refinance may not exceed the lower of 2% of loan amount or \$5,000.

Occupancy

- Investment Property (1- 4 units)

Eligible State

- All Except Puerto Rico, Guam, US Virgin Islands, IL, GA, MA

Amortization Term

Fixed:

- 15-year Self Amortization
- 30 year - 10 year I/O or 30-year self-amortization

ARM:

- 5/6m - 10 year I/O or 30-year self-amortization
- 7/6m – 10 year I/O or 30-year self-amortizationInterest Only feature is available with 10 years I/O period with 30 years or 40 Years amortization

The loan must amortize over the remaining term after the Interest Only period.

Prepayment Penalty

- Term of prepayment penalty are up to 5 years (as per each state law)
 - 6 months of interest on the amount prepaid that exceeds 20% of the original principal loan amount (Unless otherwise restricted by state law)
- Penalties not allowed in AK, KS, MI, MN, NM, OH, and RI
- Penalties not allowed on loan amounts less than \$278,204 in PA
- Only declining prepayment penalty structures allowed in MS

Eligible Properties

- Attached / Detached SFRs
- 2-4 unit property
- PUD
- Warrantable Condo
- Non-Warrantable Condo property (Check eligibility criteria)
- Note: Property acreage should not exceed 2 acres.

Eligible Borrowers

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Alien
- Foreign National
- Limited Liability Corporation (LLC), S-Corporation, Partnership

Compliance

- Escrows required for taxes and insurance
- Total Points and Fees must be less than 5%
- Compliance with all applicable Federal and State regulations
- Section 32 or state high cost loan is not allowed

Minimum Loan Amount

- \$100,000

Maximum Loan Amount

- \$3,000,000

Minimum FICO Required

- 600 for DSCR \Rightarrow 1
- 640 for DSCR $<$ 1 (Minimum DSCR 0.75)
- For Interest only feature Minimum FICO requirement is 660
- For First time investor minimum FICO requirement is 680
- Foreign National with US credit, minimum FICO requirement is 680

Note: A valid decision credit score requires at least one borrower to have a minimum two credit scores. Use the lower of two or middle of three credit score generated to determine Decision credit score. Use lowest Decision score amongst all borrowers who will be on the Note and title.

Maximum DTI Ratios

- Not Applicable

Debt Service Coverage Ratio (DSCR)

- DSCR is defined as ratio of the qualifying subject property rent and PITIA of the mortgage.
- Qualifying rent will be lower of documented lease or market rent from appraisal (Form 1007). If lease agreement reflects higher rent than 1007 then lease amount may be used if 2 months proof of receipt is verified.
- DSCR must not be less than 0.75
- The note rate is used to determine the qualifying PITIA.
- A 5% LTV reduction required when using short term rental income to qualify. Short term rental income means income through online services like Airbnb.
- If short term rental income is used on a refinance transaction, then we would require 12 months of rental history. DSCR would be calculated based on average actual rental income calculated over 12 months. No market rent will be used in this calculation.
- Experienced Investors: A borrower who has owned and managed at least one property for a minimum 12 months during the most recent thirty-six

(36) month period. That One (1) property must be an income generating property (residential or commercial). For loan files with more than one borrower, only one borrower must meet the definition to be considered as the case of Experienced Investors. Documentation: -

- Ownership documentation and if there is any mortgage associated then 12 months' payment history proof either through credit report or VOM and housing late guideline will apply; and
- Income receipt documentation through a copy of the most recent lease(s) with two (2) months' proof of receipt.
- First Time Investor: A borrower that does not meet the Experienced Investor criteria will be considered as First Time Investor.
 - Min FICO: 680
 - Max LTV: 75%
 - No mortgage late payments in most recent 36 months,
 - Minimum 36 months seasoning from any credit event
 - Cash-out Transaction not allowed

Minimum Trade-line to establish credit history

- Each borrowers must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that Case, only one spouse is required to meet the minimum tradelines:
 - At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
 - At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.
- An acceptable housing history not reported on credit report may also be used as a trade-line.

Note:

- Trade-lines on which borrower is not obligated to make payments are not acceptable for minimum trade-line requirement.
- The following are not acceptable to be counted as a tradeline: “non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charged-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.
- “Non-traditional” credit includes Utilities (such as electricity, gas, water, telephone services, television, internet service), Cell phone payment, payment of medical bills, payment of school tuition, payment of child care, payment to local stores such as department store, furniture store, appliance store etc.

Age of Document Requirements

The following documents may not be more than 90 days old at closing (The Note date)

- i. Income Documents/ Paystubs
- ii. Asset Documents/ Bank statement
- iii. Credit Report
- iv. Mortgage/ Rental verification

The following documents may not be more than 120 days old at closing (The Note date)

- i. Appraisal Report
- ii. Title Commitment/ Preliminary report

Approval Type

- Manual underwriting only

Bankruptcy and Housing Event waiting Period

Waiting Period matrix	
Chapter 7 Bankruptcy	I. Less than 24 months: Not allowed
Chapter 13 Bankruptcy	II. >=24 months but less than 36 months: Purchase transaction Max LTV 75%, Refinance transaction Max LTV 70%
Housing Events	III. 36 months or more: No restriction

Note:

1. Waiting period is measured from the month and year of discharge to the note date.
2. A ‘Housing Event’ is a completed foreclosure, short sale, deed in lieu or notice of default (or similar notice required under state law as an initial phase of the foreclosure process).

Housing Late

- 0x 30-days late payment allowed in past 12 months (applicable for both Subject and Non-Subject mortgages)
- If there is 1x30 days late in last 12 months but no late in most recent 6 months, then maximum allowed LTV to be reduced by 5%.

Consumer Late

- Recent late payments on all consumer debt may not exceed 1X60 over the prior 12 months.

Judgment / Tax Lien

- All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.
- All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:
 - i. The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
 - ii. A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
 - iii. The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
 - iv. Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

LTV/CLTV Matrix

LTV/CLTV Matrix for DSCR >=1 (Tier-1)

Credit Score	Loan Amount	Purchase	Rate & Term	Cash out
700 and above	100,000 - 1,000,000	80	80	75
	1,000,001 - 1,500,000	80	80	70
	1,500,001 - 2,000,000	75	75	65
	2,000,001 - 3,000,000	70	70	60
660-699	100,000 - 1,000,000	80	80	75
	1,000,001 - 1,500,000	75	75	70
	1,500,001 - 2,000,000	70	70	65
	2,000,001 - 3,000,000	65	65	NA
600-659	100,000 - 1,000,000	75	70	65
	1,000,001 - 1,500,000	65	65	NA
	1,500,001 - 2,000,000	65	65	NA
	2,000,001 - 3,000,000	60	60	NA

LTV/CLTV Matrix for Foreign National

Credit Score	Loan Amount	Purchase	Rate & Term	Cash out
680 and above	100,000 - 1,000,000	75	70	65
	1,000,001 - 1,500,000	70	70	60
Foreign Credit	100,000 - 1,000,000	75	70	65
	1,000,001 - 1,500,000	70	65	60

LTV/CLTV Matrix for DSCR < 1 (Tier-2) (Minimum DSCR 0.75)

Credit Score	Loan Amount	Purchase	Rate & Term	Cash out
700+	100,000 - 1,000,000	75	70	70
	1,000,001 - 1,500,000	75	70	65
	1,500,001 - 2,000,000	70	70	65
	2,000,001 - 3,000,000	70	65	60
660-699	100,000 - 1,000,000	75	70	65
	1,000,001 - 1,500,000	70	70	65
	1,500,001 - 2,000,000	70	70	60
	2,000,001 - 3,000,000	65	65	NA
640-659	100,000 - 1,000,000	70	65	60

LTV/CLTV Matrix for Foreign National

Credit Score	Loan Amount	Purchase	Rate & Term	Cash out
680 and above	100,000 - 1,000,000	65	65	60
	1,000,001 - 1,500,000	65	65	NA
Foreign Credit	100,000 - 1,000,000	65	65	60
	1,000,001 - 1,500,000	65	65	NA

LTV restrictions: (For Both Tier-1 & Tier-2)

- For First Time Investor, maximum allowed LTV/CLTV is 75%.
- Non-Permanent resident alien, maximum allowed LTV/CLTV 70%.
- Cash-out transaction and property located in Hawaii, max. LTV/CLTV is 70%.
- Purchase transaction and property located in CT, NJ, NY, max. LTV/CLTV is 75%
- Refinance transaction and property located in CT, NJ, NY, max. CLTV/LTV is 70%
- Interest only features loans, max CLTV/LTV is 80%
- Maximum allowed LTV/CLTV for Non-warrantable Condo
 - 70% purchase and Rate and Term refinance &
 - 65% on Cash out refinance.
- Maximum allowed LTV/CLTV for 2-4 units property
 - 75% purchase and Rate and Term refinance &
 - 70% on Cash out refinance.
- In Refinance transaction if any unit is vacant, as reflected on the appraisal report, a 5% LTV reduction is required.
- For Un-leased refinance property, LTV/CLTV reduction by 5% if appraisal reflects any vacant unit. Note: Un-leased property is a property where at least one of the below requirements is met:
 - More than 50% of the units within the subject property do not have existing lease
 - More than 50% of the units within the subject property have an executed lease with < 3 months remaining without proof of extension.

Assets

- All funds for the transaction must be seasoned for 60 days (or sourced). Assets used for down payment and closing costs must also be seasoned in a U.S. depository institution for 30 days prior to closing.
- Gift funds are permitted after a minimum 10% borrower contribution from own funds.

Unacceptable Source of Funds

- Cash-on-hand
- Sweat equity
- Gift or grant funds which must be repaid
- Down payment assistance programs
- Bridge loans
- Unsecured loans or cash advances
- Section 8 Voucher Assistance
- Paycheck Protection Program (PPP) Loans
- Small Business Administration (SBA) Loans

Subordinate Financing

- Allowed.
- Must meet Fannie Mae subordinate financing guideline

Income Documentation

- There is no employment verification or income analysis required.
- Income is determined by subject property rent.

Reserves

Loan Amount	Reserves
<= 1,500,000	6 months of PITIA
\$1,500,001-\$2,500,000	12 Months
\$2,500,001-\$3,000,000	12 Months

Note:-

1. For DSCR less than 1, additional 6 months of PITIA reserves required.
2. Cash out may be used to satisfy requirement.

Maximum Cash Out Amount

Parameters	Cash-Out Limit (In Dollar)
LTV => 65%	\$500,000
LTV < 65%	\$1,000,000

Contribution by Interested Parties

- 3% for all LTVs

Personal Guarantee

- Personal Guarantee required for loans titled in the name of an LLC or Corporation

Max. Number of Properties Financed

- Maximum number of financed properties (residential, 1-4 units) including primary residence is limited to 20 properties. Borrowers with more than 20 financed properties may be reviewed case to case basis.

Temporary Buydown

- Not Allowed

Assumable

- Not Assumable

Qualifying rate

- For ARM: the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.
- For FRM: Qualifying rate is Note rate

Appraisal Review Product

- An Appraisal review product is required on all loan unless a Second Appraisal is required
- Following three options are available for Appraisal review product:
 - Submission Summary Report (SSR) and Fannie Mae Collateral Underwriter score of ≤ 2.5
 - An enhanced ARR from ProTeck or CDA report from Clear Capital, or ARA from Computershare
 - Field review or a Second Appraisal
- If loan amount is $> \$1.5M$, then second appraisal is required.

Mortgage Insurance

- Not required

Permanent Resident Aliens

- A non-U.S citizen authorized to live and work in the U.S on a permanent basis.
- Must provide evidence of lawful residency (copy of borrower's identification)
- Valid Green Card

Non-Permanent Resident Alien

- A non-U.S citizen authorized to live and work in the U.S on a temporary basis
- Acceptable visa types: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA. Visa must be current.
- DACA borrower is also allowed (EAD code C33)
- Max LTV/CLTV: 70%
- Gift funds are not allowed

Foreign National

- Allowed, if at least one of the borrower one loan is Foreign National then loan to be considered as Foreign National borrower loan.

General Requirements

Rate & Term Refinance:

- Properties listed for sale by the borrower within the past 12 months on Rate/Term transaction must be withdrawn prior to application date. Copy of expired/withdrawn listing is required.
- Payoff an installment land contract is permitted if the same is executed more than 12 months preceding the loan application date.

Cash-Out Refinance:

- Properties listed for sale within the last 6 months from application date are ineligible for cash out refinance.
- A prior cash-out within past 6 months from application date are ineligible for cash out refinance.
- The borrower must have owned the property for a minimum of six months prior to the application date.
- If the property is owned less than 12 months but greater than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the

- original purchase price plus documented improvements, or current appraised value.
- Payoff of a land contract / contract deed is not acceptable through cash out transaction.

Delayed Financing

- Delayed financing is eligible when the property was purchased through cash transaction within 6 months of application date.
- The transaction will be considered cash-out refinance.
- Fannie Mae guideline on delayed financing to be followed.

Requirements when vesting in the name of Entity

- Entity must be domiciled in a US state.
- Any business structure is limited to a maximum of four owners/ partners.
- Personal guaranties must be provided by all the owners of the entity.
- Each owner must complete the initial application (Form 1003)

Documentation when vesting in the name of Entity

Limited Liability Company

- Entity Articles of Organization, Partnership, and Operating Agreements, if any
- Corporate documents that contain a list of owners along with titles
- Tax Identification Number (Employer Identification Number - EIN)
- Certificate of Good Standing or equivalent
- Foreign LLC Certificate of Good Standing or equivalent if entity not formed in subject property state
- Certificate of Authorization for the person executing all documents on behalf of the Entity
- Borrowing Certificate (LLC Borrowing Certificate - Single Member or LLC Borrowing Certificate - Multiple Member)

Partnership

- Filed Partnership Certificate
- Partnership Agreement (and all amendments)
- Certificate of Good Standing
- Tax Identification Number (EIN)
- Limited partner consents (where required by partnership agreement)

S-Corporation

- Filed Certificate/Articles of Incorporation (and all amendments)
- By-Laws (and all amendments)
- Certificate of Good Standing
- Tax Identification Number (EIN)
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation

Ineligible Property Type

- Mixed used property
- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties including: farms, ranches, orchards
- Manufactured, Mobile or Modular Homes
- Fractional ownership
- Co-op/timeshare hotels
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Properties with acreage more than 10 acres
- Properties listed for sale in past Six (6) months on cash out transaction
- Properties with ownership other than fee simple/leaseholds that do not meet FNMA Guidelines
- Properties used for cultivation, distribution, manufacture or sale of marijuana
- Rural properties meeting following criteria,
 - (i) The appraiser indicates in the neighborhood section of the report a rural location; or
 - (ii) The following two (2) conditions exist:

- The property is located on a gravel road and
- Two of the three comparable properties are more than 5 miles from the subject property.

Non-Warrantable Condo: Eligibility Criteria

Characteristic	Exception considerations
Commercial space	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
Completion status	The project or the subject's legal phase must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
Condotels	True Condotels with onsite reservation desks are prohibited. Short-term vacation rental projects will not be allowed.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
Investor concentration	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condo project can be demonstrated.
HOA control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA reserves	HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
Litigation	Pending litigation will not be allowed. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
New projects	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
Single entity ownership	Single entity ownership in project up to 25%.