



Investor Solutions Loan Eligibility Criteria

Full Doc, Self-Employed Solutions, Asset Utilization, Debt
Service Coverage, and Foreign National

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SECTION 1.0 - PROGRAM

1.1 - OVERVIEW

Right Start Mortgage Eligibility guidelines are structured to guide its Correspondent Lenders towards making common sense lending decisions on loans to borrowers seeking financing for business purpose loans on residential real estate. These borrowers' situations generally require the lender to consider alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio.

Borrowers with a loan under the Investor Solutions Program must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business-purpose loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Right Start Investor Solutions Program.

Loans sold to Right Start Mortgage must meet the criteria of the current published guide as of the file submission date.

SECTION 2.0 - LOAN ELIGIBILITY

2.1 - ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Right Start:

Fully Amortizing

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term
- 3/1 LIBOR: (2/2/5 Cap Structure)
 - Qualifying Rate: qualify borrower(s) at the greater of the fully-indexed rate or Note **rate**.
 - Only eligible for DSCR document **type**
- 5/1 LIBOR: (2/2/5 Cap Structure)
 - Qualifying Rate: qualify borrower(s) at the greater of the fully-indexed rate or Note rate.
- 7/1 LIBOR: (5/2/5 Cap Structure)
 - Qualifying Rate: qualify borrower(s) at the greater of the fully-indexed rate or Note rate.

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Commented [PO2]: Delete reference to No Ratio

- 15 Year Fixed
- 30 Year Fixed

Interest-Only

Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the original loan term.

- 3/1 or 5/1 LIBOR: (2/2/5 Cap Structure)
 - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period
- 7/1 LIBOR: (5/2/5 Cap Structure)
 - Qualifying rate (All Doc Types): qualify borrower(s) at the greater of the fully-indexed rate or Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period
- 30 Year Fixed Rate
 - Qualifying rate (All Doc Types): qualify borrower(s) at the Note Rate.
 - Interest-Only Period: 10 Year Interest-Only Period followed by a 20 Year Amortization Period

2.2 - INTEREST ONLY RESTRICTIONS

- A and B Grades
 - Maximum LTV/CLTV: Full Documentation, S/E Solutions, S/E Solutions Express and Asset Utilization: 80%
 - DSCR: ~~70%~~
- Minimum FICO 660
- Foreign National eligible with US Credit.

Commented [PO3]: Delete reference to No Ratio

2.3 - UNDERWRITING

Unless otherwise stated, Fannie Mae definitions, documentation, and underwriting guidelines prevail and should be followed. These Eligibility guidelines offer guidance to a Seller regarding the products Right Start will purchase.

2.4 - LOAN AMOUNTS

Minimum: \$75,000
 Maximum: \$2,000,000 (2 appraisals required for loan amounts above \$1.5MM)

2.5 - MINIMUM FICO

540

See Right Start Matrices for Grade Determination.

2.6 - MAXIMUM LTV/CLTV

80 / 80

See Right Start Matrices for LTV/CLTV maximum by documentation type.

2.7 - INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

May not exceed 3%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal and HUD-1 and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions), and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the amount of the concession amount that exceeds the limits referenced above.

2.8 - ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts are required.

2.9 - SECONDARY FINANCING

Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available credit line amount unless the borrower can provide documentation the line of credit is past its draw period.

2.10 - SEASONING (LOAN AND DOCUMENT)

Right Start will not purchase loans seasoned more than 45 days from the Note date at the loan delivery date.

Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note Date.

The appraisal should be dated no more than 180 days prior to the Note Date.

2.11 - FEES

| | |
|-------------------------------------|-------|
| <u>Funding fee:</u> | \$500 |
| <u>Condo Project Approval fees:</u> | |
| Established: | \$135 |
| New: | \$500 |

Fees will be deducted at time of loan funding and will be reflected on the funding memo. Unpaid fees associated with loans not purchased may be netted from future funding.

2.12 - 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" in [EXHIBIT A](#) of this guide.

2.13 - 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" in [EXHIBIT D](#) of this guide.

2.14 - AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable automatic debit payment agreement (ACH Form), and provide either a voided check or a savings account deposit form. The ACH Form should be substantially similar to [EXHIBIT B](#) of this guide and include the bank routing number, account number, and account type.

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either a voided check or savings account deposit form is required for transactions involving a Foreign National.

2.15 – BORROWER CONTACT CONSENT FORM

To assist in contacting the borrower in a timely manner, the Borrower Contact Consent Form, [Exhibit I](#), is required on every file delivered to Right Start.

2.16 - PREPAYMENT PENALTY

Where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for between one (1) and up to five (5) years following the execution date of the note. The following prepayment structures may be utilized; either six (6) months of interest, fixed percentage (3%, 4%, or 5%) for the term of the penalty, or declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. (See rate sheet for further detail). The prepayment penalty can be disclosed within the body of the note or in a separate rider.

- Six Months Interest - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that payoff

due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period.

- 3%, 4%, or 5% fixed percentage - The prepayment charge will be equal to the fixed percentage and applied to the outstanding principal balance. The charge applies to loans that payoff due to sale or refinance.
- Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) - The prepayment charge will be equal to the percentage in effect and applied to the outstanding principal balance. The charge applies to loans that payoff due to sale or refinance.

Commented [PO4]: Min 3% for first 3-years list examples

Commented [PO5]: Min 3% for first 3-years list examples

2.17 - STATE AND FEDERAL HIGH COST LOANS

Not allowed for Right Start loan purchase.

2.18 - LISTING SEASONING

For all cash-out refinances, properties previously listed for sale should be seasoned at least 6 months from the listing contract expiration date. Listing expiration dates of less than 6 months permitted with a prepayment penalty.

2.19 - PREMIUM RECAPTURE

| | |
|------------------------|--|
| Premium Paid ≤100.00%: | Full Premium Recapture upon loan payoff within the first 6 months following the Right Start loan purchase date. |
| Premium Paid >100.00%: | Full Premium Recapture upon loan payoff within the first 12 months following the Right Start loan purchase date. |

Premium Recapture liability is reduced by any prepayment penalty amounts collected by Right Start.

2.20 - EARLY PAYMENT DEFAULT (EPD)

If any of the first four (4) monthly payments due after the loan sale date becomes delinquent Right Start Mortgage considers this an Early Payment Default (EPD). EPD loans are subject to repurchase by the Seller pursuant to the Mortgage Loan Purchase Agreement.

2.21 – LEGAL DOCUMENTATION

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae doesn't offer current documentation, such as interest only, a document vendor, such as Doc Magic, should be utilized for forms.

2.22 - ASSUMABILITY

Fixed Rate Notes – Are not assumable.

Adjustable Rate Notes – May be assumable based upon the note, in general Fannie Mae Notes contain an assumable clause. In any case, the verbiage in the Note and Closing Disclosure must match.

SECTION 3.0 - PROPERTY ELIGIBILITY

See Section 5.0 in the Seller Guide for additional requirements related to Appraisals and Properties.

Underwriters are to address red flags that property may not be intended for investment. Common occupancy red flags include

- Subject property value exceeds value of the borrower’s primary residence.
- Subject property is located in close proximity to the borrower’s primary residence and/or place of employment.
- Subject property could reasonably function as a second home.
- Borrower is currently renting primary residence.

3.1 - APPRAISALS

3.11 – APPRAISAL REQUIREMENTS

Full Interior/ Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. Correspondents must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company that complies with Appraiser Independence Requirements (AIR) , or via the correspondent’s own AIR compliant process. The licensed appraiser must complete an interior inspection of the subject property.

- The appraisal should be dated no more than 120 days prior to the Note date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180-days, a new appraisal is required.
- Not eligible for Right Start purchase: properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines. Right Start will consider purchase if issue has been corrected prior to loan funding with proper documentation.

SECOND APPRAISAL

A Second Appraisal from a Right Start Approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different appraisal company and appraiser than the first appraisal.

- Loan Amount exceeds \$1,500,000
- The transaction is a flip as defined in the [Property Flipping](#) section of this guide
- The purpose of the transaction is Cash-Out and the property was acquired by the borrower within the 6 months preceding the application date (See the [Cash-Out](#) section of this guide for restrictions)
- As required under the [Appraisal Review Products](#) section of this guide

Commented [PO6]: Do we need this on non-owner occupied?

RIGHT START APPROVED AMC'S

- Clear Capital

3.12 - APPRAISAL REVIEW REQUIREMENTS

APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on all transactions from the following options:

- An enhanced desk review, an ARR from CDA from Clear Capital; or
- A field review or second appraisal from a Right Start Approved AMC is acceptable. The source of the Appraisal Review Product may not be the same AMC used for the appraisal.

If the Appraisal Review Product (ARR or CDA) reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed. The next option would be either a field review or a second appraisal, both must be from a different appraisal company and appraiser than the original report.

3.13 - MINIMUM SQUARE FOOTAGE

| | |
|------------|---------------------------------|
| SFR: | 700 sq. ft. |
| Condo: | 500 sq. ft. |
| 2-4 units: | 400 sq. ft. per individual unit |

3.14 – RURAL PROPERTY

A property is classified as rural if all the following conditions exist;

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

3.15 - PERSONAL PROPERTY

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

3.2 - INELIGIBLE PROPERTY TYPES:

- Mixed use properties
- 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, and orchards
- Manufactured, mobile, or modular homes
- Condo-hotels or co-op/timeshare hotels
- Projects that includes registration services and offer rentals of units on a daily, weekly or monthly basis.
- Resort Type Projects
- 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

3.3 - ACREAGE LIMITATIONS

- Maximum 10 acres
- No truncating allowed

3.4 - STATE ELIGIBILITY

- Nationwide excluding Puerto Rico, Guam, and the US Virgin Islands
- NY, DC, MD, and NJ restrictions
 - *NY CEMA loans not allowed for Right Start loan purchase.*
 - *Maximum LTV/CLTV: 80%*
 - **Minimum FICO: 660** (*Does not apply to Foreign Nationals qualifying with [Foreign Credit](#)*)

3.5 - PROPERTY FLIPPING

For properties purchased by the seller of the property within 12 months of application date where the contract price exceeds the sellers acquisition price by 10% or more, additional requirements apply:

- Second appraisal required from a Right Start Approved AMC
- Property seller on the purchase contract must be the owner of record;
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.

Commented [PO7]: Should this criteria be removed?

- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)

3.6 - TITLE VESTING & OWNERSHIP

Ownership must be fee simple.

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in common
- Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an “Entity”) in accordance with the requirements listed below

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a “Member”, and up to a maximum of 4 members per Entity) must provide personal guarantees ([Exhibit C](#)) of the obligations of the Entity in a form satisfactory to Right Start.
- 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.
- No correspondent lender shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members of the Entity.
- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- 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 ([Exhibit G](#) or [Exhibit H](#))
- Documents must be completed and signed as follows:
 - Loan Application (1003)
 - Completed for each Individual
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
 - Signed by Individuals
 - Disclosures (LE, Notice of Intent to Proceed, Servicing Disclosure, etc.)
 - Completed and signed by Individual(s)
 - HUD-1

- Completed and signed by Individual(s) Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.)
- Completed and signed by Authorized Member(s)
- Personal Guarantee
 - Completed and signed by Individual(s)
- Note, Deed of Trust/Mortgage, and all Riders
 - “Borrower” in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity

3.61 - EXAMPLES - SIGNATURE REQUIREMENTS:

[Authorized Signatory] may be replaced by other label as specified in the Member Consent (e.g. Managing Member, Member, etc.).

SAMPLE 1:

Borrower: JJ Investors, LLC and James Johnson
Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

SAMPLE 2:

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson
2 Members of LLC: James Johnson and Jane Nelson
Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

3.7 - LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

3.8 - LIMITATIONS ON FINANCED PROPERTIES

- No limit to the number of financed properties per borrower for Right Start loan purchase.
- Right Start's exposure to a single borrower shall not exceed \$3,000,000 in current UPB or six (6) properties.
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. Reserves are based upon the PITIA of the subject property. Total reserve requirement is not to exceed twenty-four (24) months. See Right Start reserve matrix for additional reserve requirements.

3.9 – DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at <http://www.fema.gov/news/disasters.fema>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

3.91 - APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

3.92 - APPRAISALS COMPLETED AFTER DISASTER EVENT

- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

3.93 - DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

- Loan is ineligible for purchase until an inspection is obtained using one of the following options;
 - A Post Disaster Inspection (PDI) Report from Clear Capital may be utilized, any indication of damage reflected on the report will require a re-inspection by the appraiser.
 - The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

3.10 - CONDOMINIUMS

- Fannie Mae eligible projects and Non-Warrantable projects allowed.
 - The client may review and approve Fannie warrantable projects, a Condo Project Warranty Certification, similar to [Exhibit J](#) must be provided with the loan package.
 - Non-warrantable projects must be reviewed by a Right Start Due Diligence partner, see below.
 - Site Condos meeting Fannie Mae definition are eligible for single-family dwelling LTV/CLTV.
- Right Start project exposure maximum shall be \$3,000,000 or 15% of project whichever is lower.
- Borrower project/unit concentration limit: 2 units.
- See Right Start Product Matrix for additional LTV/CLTV and Non-Warrantable project limits and guidelines.

3.101 - INELIGIBLE PROJECTS

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel - Condotel:
 - Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
 - Condominium project where the unit is not the lessee's residence.

- Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
- Projects with the names that include the words “hotel,” “motel,” “resort,” or “lodge.”
- A project that includes registration services and offer rentals of units on a daily, weekly, or monthly basis.
- Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type projects.
- Timeshare or projects that restrict the owner’s ability to occupy the unit.
- New condo conversion completed less than 2 years.
- Houseboat projects.
- Manufactured home projects.
- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 20% of the total number of units. For projects that have 5-19 units, one owner is allowed to own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Projects where more than 35% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.
- A common-interest apartment
 - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
 - The project or building is often owned by several owners as tenants-in-common or by a homeowner’s association.
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis i.e. timeshare.
- Any project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA.
- Non-conforming zoning (cannot be rebuilt to current density).
- Project units sold with excessive seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association.
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well managed or in poor physical or financial condition
 - Excessive special assessments; low reserves; neglected repairs.

3.102 - GENERAL PROJECT CRITERIA

- Project has been created and exists in full compliance with applicable local jurisdiction, state, and all other applicable laws and regulations.
- Project meets all FNMA insurance requirements for property, liability, and fidelity coverage.
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.

- Seller to confirm project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- Projects that are FNMA Warrantable may be reviewed and approved by Client Underwriter. A Rep and Warrant from Client Underwriter that project meets the requirements of FNMA Warrantable Project must be provided with the loan package to avoid Right Start project review and expense.
- Non-Warrantable projects require Project Approval by Right Start Diligence Partner.
 - Project ID must be requested prior to upload of Project documents. Send email to: condoprojectreview@covius.com with the project name and address to obtain ID.

3.103 - NON-WARRANTABLE CONDOMINIUM PROJECTS

Maximum LTV/CLTV: 65%

Maximum Loan Amount: \$1,500,000

Not available for Debt Service Coverage documentation type

Project approval required by Right Start Diligence Partner

NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

SINGLE OWNER/ INVESTOR ENTITY CONCENTRATION:

- Maximum of 20% of project owned by any Single Owner/Investor Entity.
- Maximum of two (2) units owned by any Single Owner/Investor Entity if the project has fewer than 10 units.

NEW PROJECTS

A Project is considered new if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowners association has not been turned over to the unit owners.

New Condominium Projects that meet all the following requirements are eligible for purchase.

- Subject legal phase and any prior legal phases where units have been offered for sale are substantially complete. Substantially complete means that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete.
- OCCUPANCY: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as primary or second home OR at least 50% of the total number of units in the subject legal phase and a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as primary or second home.
- Developer must be responsible for assessments on unsold units built but not yet closed.
- BUDGET: A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance.
- Budget must reflect adequate funding for insurance deductible.
- DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days can not exceed 15% of the total number of units.

Commented [PO8]: Max loan increased to \$1.5MM on matrix

- Commercial space up to 35% of building space allowed when pre-sale exceeds 70%, otherwise limited to 25%. Commercial entity can not control the HOA.

REQUIRED DOCUMENTATION FOR NEW PROJECT APPROVAL

- NEW PROJECTS
 - Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar., found in [Exhibit E](#) and [Exhibit F](#) of this guide.
 - Current Annual Budget.
 - Current Balance Sheet (dated within the last 60 days).
 - Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
 - FNMA Warranty of Project Presale signed by Developer/Builder as Authorized Rep (Form1029).
 - FNMA Final Certification of Substantial Project Completion completed by Developer (Form1081).
 - FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable Lender's Warranty.
 - Project legal documents: Declarations, ByLaws, and any Amendments.
 - Rent roll/absorbtion.
 - Schedule of outstanding loan info.
 - Letter from construction lender stating financing is in good standing.
 - Evidence there are no contractor liens outstanding.
 - Project marketing analysis: sales and marketing plan.
 - Photos of subject project including site, improvements, facilities/amenities, parking, and same on 2 to 3 comparable projects.
 - PERS preliminary approval, if applicable.

ESTABLISHED PROJECTS

Established projects, as defined by FNMA, which meet all the following requirements are eligible for purchase.

- OCCUPANCY: There is no owner-occupancy requirement if the subject unit will be owner occupied. If property will be used as an investment property, a minimum of 30% of the total number of units in the project must be conveyed to owners who occupy their unit as a primary residence or second home. The project may not have delinquencies greater than 15%, the project reserve fund must represent a minimum of 100% of project's annual budget and appraisal must support rental market.
- BUDGET AND RESERVE FUND BALANCE: A minimum reserve fund balance of 30% of annual budget must be in place. A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and reserve fund balance supports a lower allocation as follows:
 - 7% to 9.99% requires a reserve fund balance of 50% of annual budget

- 5% to 6.99% requires a reserve fund balance of 75% of annual budget
- 3% to 4.99% requires a reserve fund balance of 100% of annual budget
- DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project. 60 day delinquency up to 20% may be allowed as non-warrantable if HOA reserve fund represents 120% of its annual budgeted income.
- Commercial space limited to 35% of building space. Commercial entity cannot control HOA.

REQUIRED DOCUMENTATION FOR ESTABLISHED PROJECT APPROVAL

- Established Project Certification
- Current Annual Budget
- Current balance sheet (dated within the last 60 days)
- Evidence of current HOA/project insurance in compliance with FNMA guidelines

3.104 - RE-CERTIFICATION OF PROJECTS

Projects must be recertified every 6 months or at expiration of the project budget or insurance, whichever is earlier.

Documents Required:

- Project Approval Certification Form
 - Current Annual Budget
 - Current balance sheet (dated within the last 60 days)
 - Evidence of current HOA/project insurance
- Any amendments, supplements, etc. to the project legal documents

SECTION 4.0 - TRANSACTION TYPES

4.1 - NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

4.11 - NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage)

4.12 - INTERESTED PARTY TRANSACTION

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required

4.13 - ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
 - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction

4.14 - NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Borrower to provide cancelled check verifying the earnest money deposit
- Cash-Out refinances not allowed
- Maximum LTV/CLTV: 75%
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed
- Renter(s) purchasing from Landlord not allowed
- Purchase between family members not allowed
- Other transactions not listed as eligible above are not allowed
- For Sale by Owner (FSBO) transactions must be arms-length

4.2 - TRANSACTION

4.21 - PURCHASE

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV based upon the lessor of the sales price or appraised value

4.22 - RATE/TERM TRANSACTION

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:

- Closed end loan, at least 12 months of seasoning has occurred;
- HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000.
- Buying out a co-owner pursuant to an agreement.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$2,000 can be included in the transaction.
- LTV/CLTV based upon the appraised value.

4.23 - CASH-OUT

- All cash-out transactions should be of benefit to the borrower
- The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes. (Cash-out proceeds for personal use require an exception, when granted only permitted with Full Income Documentation or Bank Statement Income Documentation and must meet TRID and ATR Attestation.)
- Cash-out proceeds cannot be used for required reserves.
- Loans not eligible for cash-out:
 - Properties listed for sale in the past 6-months unless requirements in section 2.17 meet.
- See Right Start Matrices for cash-out limits.

Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.

- For Cash-out seasoning greater than 12-months the appraised value can be used to determine the LTV/CLTV.
- If Cash-Out Seasoning is between (6) to (12) months, the appraised value may be utilized to determine property value with the following restrictions:
 - The loan amount may not exceed 100% of the acquisition cost plus documented improvements
 - If the DSCR documentation option is selected;
 - DSCR must be 1.15 or greater;
 - The property may not be "Unleased" as defined by the guidelines
- If Cash-Out Seasoning is between (3) to (6) months, the appraised value may be utilized to determine property value with the following restrictions:
 - The loan amount may not exceed 90% of the acquisition cost plus documented improvements
 - If the DSCR documentation option is selected;
 - DSCR must be 1.15 or greater;
 - The property may not be "Unleased" as defined by the guidelines
- Cash-Out Seasoning of less than three (3) months is allowed with the following restrictions:
 - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value.
 - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).

Commented [PO9]: 6-12 months, cost plus cap up to 100%

Commented [PO10]: 6-12 months, cost plus cap up to 100%

- At least one of the following must exist;
 - No mortgage financing was used to obtain the property.
 - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.).
 - The preliminary title search or report must confirm that there are no existing liens on the subject property or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
 - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note.
 - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
 - The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

Commented [PO11]: Combine, list DSCR of 1.15 as separate bullet

SECTION 5.0 - BORROWER ELIGIBILITY

5.1 - FIRST TIME HOME BUYERS

Not allowed for Right Start loan purchase.

5.2 - RESIDENCY

| | |
|-------------|---|
| Eligible: | <ul style="list-style-type: none"> • U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien • Foreign National |
| Ineligible: | <ul style="list-style-type: none"> • Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list. |

Refer to Fannie Mae guidelines for all definitions of eligibility status.

5.21 - U.S. CITIZEN

- Eligible without guideline restrictions

5.22 - PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:
 - Alien Registration Receipt Card I-151 (referred to as a green card).
 - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
 - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
 - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Eligible without guideline restrictions.

5.23 - NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
 - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
 - Visa must be current and may not expire for a minimum of 3 years following the close date.
 - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.
- Guideline restrictions:
 - Maximum LTV/CLTV: 75%
 - [Full Documentation \(24 Months\) and Debt Service Coverage](#) doc types only
 - Gift Funds not allowed
 - US credit requirements detailed under the [CREDIT](#) section of this guide should be utilized. If adequate depth of US credit cannot be established the Foreign National [Qualifying Foreign Credit](#) section of this guide may be used. When Foreign Credit is used, the restrictions listed under the Foreign Credit section apply, including the Max LTV of 70%.

5.24 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. In order to be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

See the [Foreign National](#) section of this guide for additional details.

5.25 - INTER VIVOS REVOCABLE TRUST

An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed, Fannie Mae requirements should be followed if these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney verifying all of the following:
 - The trust is revocable,
 - The borrower is the settler of the trust and the beneficiary of the trust,
 - The trust assets may be used as collateral for a loan,
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee,
 - The borrower,
 - The settler,
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

A complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents

instead of the trust agreements must be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

SECTION 6.0 - CREDIT

6.1 - CREDIT REPORTS

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for Right Start loan purchase.

6.2 – LOAN INTEGRITY AND FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGUARD, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with documentation resolving any deficiencies or red flags noted.

6.3 - CREDIT INQUIRIES

Creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained. If new credit was extended borrowers must provide documentation on the current balance and payment; if no credit was extended borrower must state the purpose of the inquiry. Lenders must inform borrowers that they are obligated to inform the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

6.4 - HOUSING HISTORY

Mortgage/rental history is required for all Right Start programs. If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12 months history (cancelled checks, mortgage/rental statements including payment history, verification of mortgage/rental, etc.) must be provided.

Borrower's mortgage and/or rental history may reflect late payments based on Documentation Option and Grade criteria (see matrices for requirements). All housing late payments must be cured at the time of application and remain paid as agreed through closing.

Housing late payments exceeding 1x60x24 require a letter of explanation from the borrower. The situation causing the delinquency must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved.

See Right Start Grade Determination Matrix for Grade specific restrictions.

6.5 - CONSUMER CREDIT

6.51 - CONSUMER CREDIT HISTORY

Any non-mortgage account can be no more than 30-days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

If a short sale, deed in lieu of foreclosure, or foreclosure has occurred within the last 12 months, no more than 1x30x6 is allowed on each revolving debt account and no more than 1x30x12 is allowed on each installment debt account.

6.52 - TIMESHARES

Timeshare obligations will be treated as a consumer installment loan

6.53 - CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$2,000 must be paid in full prior to or at closing.
- Medical collections may remain open with a max cumulative balance of \$10,000
- Collections and charge-offs that have expired under the state statute of limitations on debts. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following is met:

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

6.54 - CONSUMER CREDIT COUNSELING SERVICES

Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months are paid as agreed and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing.

6.55 - JUDGMENT OR LIENS

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

6.56 - INCOME TAX LIENS

All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax lines that do not impact title may remain open provided the following are met;

- The file must contain a copy of the repayment agreement
- A minimum of 6-payments has been made under the plan with all payments made on time
- The balance of the lien must be included when determining the maximum CLTV for the program
- Refinance transactions require a subordination agreement from the taxing authority

6.6 - BANKRUPTCY HISTORY

Recent bankruptcies are allowed, all bankruptcies (except for a Chapter 13, see below) must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date.

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan. All the following requirements must be met;

- A minimum of 12-months of payments have been made under the bankruptcy plan.
- The most recent 12-months of payment plans have been made on time.
- The borrower has received written permission from the bankruptcy court for the mortgage transaction.

Bankruptcies resolved in the last 48 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. 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.

See Right Start Grade Determination Matrix for grade specific restrictions

6.7 - FORECLOSURE SEASONING

Foreclosures completed in the last 48 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

See Right Start Grade Determination Matrix for grade specific restrictions.

Commented [PO12]: Same policy as Fannie, however a frequent question we receive is if the time is measured from application or note date.

6.8 - SHORT SALE / DEED IN LIEU SEASONING

Short Sales and Deed in Lieu of Foreclosures completed in the last 36 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date. For the Credit Grades of B or B- where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

In the case of a short sale/deed in lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

See Right Start Grade Determination Matrix for grade specific restrictions.

6.9 - FORBEARANCE OR MODIFICATION

Forbearance or loan modifications are treated as a short sale/deed-in-lieu of foreclosure for grading and pricing purposes. For the Credit Grades of B or B- where the housing event can be settled, the delinquency proceeding the housing event can be ignored. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation has been adequately resolved.

6.10 - CREDIT SCORE

- Decision Score: Minimum of one borrower with two credit scores. Must use the lower of the two credit scores or median of the 3 credit scores generated;
- For multiple borrowers:
 - Full Doc: Use the Decision Score for the primary wage earner if that income represents a minimum of 55% of total household income. Otherwise use the lowest Decision Score amongst all borrowers who will be on the Note and Title.
 - All Other Income Documentation Options: Use lowest Decision Score amongst all borrowers who will be on the Note and Title.

6.11 - TRADELINES AND GRADE DETERMINATION

6.111 -STANDARD TRADELINES

All Grades – A minimum of three (3) tradelines per credit report.

At least one tradeline should be active for the most recent 24 months and at least two tradelines should have been reported within the last 12 months.

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, charge-offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales, or pre-foreclosure sales.

6.112 - LIMITED TRADELINES

- Not allowed

6.12 - OBLIGATIONS NOT APPEARING ON CREDIT REPORT

6.121 - HOUSING AND MORTGAGE RELATED OBLIGATIONS

Housing and mortgage-related obligations include property taxes, premiums and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowners’ association billing statements, and information obtained from a valid and legally executed contract.

6.122 - CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

A lender may use a credit report to verify a borrower’s current debt obligations, unless the lender has reason to believe that the information on the credit report is inaccurate or disputed. However, a credit report cannot be used by the lender to verify obligations that do not appear on the credit report such as alimony and child support; these must be documented according to Fannie Mae guidelines.

6.13 - ADDITIONAL CREDIT CRITERIA

- Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.
- New debt/liabilities – A verification of all new debt/liabilities must be provided and borrower must be qualified with the additional monthly payment.
- Gap credit – Prior to Right Start funding, Sellers should confirm there are no new borrower debt obligations. This can be confirmed with new gap credit report. Refer to “[Credit Inquiries](#)” section above.
- For Foreign National credit criteria see the [Foreign national Credit](#) section of this guide

Right Start reserves the right to request a newly processed credit report pre-loan closing or prior to Right Start loan funding date to confirm no new debt/liabilities have been added.

SECTION 7.0 - ASSETS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

7.1 - DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in Right Start guidelines.

7.2 - RESERVES

- The Right Start loan program includes minimum reserves as outlined on the Right Start matrices.
- Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 24 months. The additional reserves are based upon the PITIA of the subject property.
- Reserves must be sourced and documented per section 7.5 of these guidelines.
- Proceeds from a cash-out refinance cannot be used to meet the minimum reserve requirements.
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

7.3 - DOWN PAYMENT SOURCING

Down payment funds should be documented for 60 days per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. Lenders must require that the borrower state the source of the down payment and provide verification. If the lender determines that the source of the down payment is another extension of credit, the lender must then consider that loan as simultaneous secondary financing. Refer to "[Secondary Financing](#)" section above.

7.4 - GIFT FUNDS

- Unless otherwise specified, gift funds are acceptable only if a 20% down payment has been made by the borrower from their own resources.
- Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt;
- Gift funds may not be used to meet reserve requirements.
- Gift Funds not allowed for loans qualified under the [Debt Service Coverage, No Ratio](#) and [Foreign National](#) sections of this guide.
- Gift of Equity not allowed.

7.5 - ASSET DOCUMENTATION

In addition to documenting minimum PITIA reserve requirements, all borrowers must disclose and Seller must verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

- Account statements should cover most recent 60 day period.
- VOD must be dated within 30 days of loan application date.
- Stocks/Bond/Mutual Funds - 100% of stock accounts can be considered in the calculation of assets for closing and reserves.

- Vested retirement account funds – 60% may be considered for closing and/or reserves.
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.
- When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance. Large deposits need to be sourced based upon [Section 7.3](#) of this guide. An example of how to identify a large deposit follows:
 - Month 1 deposits
 - \$1,000
 - \$1,500
 - Month 2 deposits
 - \$2,500
 - \$5,000
 - Total deposits equal \$10,000 or a monthly average of \$5,000.
 - 75% of the monthly average is \$3,750.
 - The \$5,000 deposit from month 2 needs to be sourced.

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) prior to closing.

- Documenting Assets Held in Foreign Accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
 - A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

7.51 - SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as sole owner of the account and the account needs to be verified per requirements in [Section 6.1](#) of this Guide.
- If Business funds are used, the borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%).
- The seller must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation.
- Full Income Documentation
 - The seller must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. The seller should utilize FNMA Form 1084 or a similar cash flow analysis form to show the business can support the withdrawal of the funds.

- Self-Employed Solutions - 24 Month Business Bank Statement (May use one of the following methods)
 - Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation perform the following calculation;
 - Statement(s) Ending Balance
 - Transaction Down Payment
 - Transaction Closing Costs
 - Program Required Reserves
 - +Fund Available from Personal Account(s)
 - Funds Available for Business Expense Coverage

Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or

- The balance sheet for the business must reflect positive working capital. Working capital is the difference between the current assets less current liabilities. The result represents the maximum amount of business funds available to use towards down payment, closing cost and reserves.

SECTION 8.0 - INCOME

8.1 - INCOME ANALYSIS

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

8.11 - INCOME WORKSHEET

The loan file must include an income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate.

8.12 - EMPLOYMENT/INCOME VERIFICATION

- Most recent two (2) years income documentation is required for all income/documentation types unless otherwise noted.
- If any borrower is no longer employed in the position disclosed on the Form 1003 at the Right Start purchase date, Right Start will not purchase the loan.

8.13 - STABILITY OF INCOME

- Stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. The Seller must determine that both the source and the amount of the income are stable.

- A two-year employment history is required in order for the income to be considered stable and used for qualifying.
- When the borrower has less than a two year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the borrower.
- While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.

8.14 - EARNINGS TRENDS

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation in accordance with Appendix Q to Part 1026 of Regulation Z—Standards for Determining Monthly Debt and Income.

YTD income amount must be compared to prior years' earnings using the borrower's W-2's, signed federal income tax returns, and/or bank statements.

- Stable or increasing: income amount should be averaged.
- Declining but stable: if the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used.
- Declining: if trend is declining, the income is not eligible.

8.2 - DEBT TO INCOME RATIO

MAX 36% TO 50% SUBJECT TO RIGHT START MATRICES. The Debt-to-Income ("DTI") ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. See most recent program matrix for applicable details.

8.3 - RESIDUAL INCOME

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. Business purpose loans do not have a required minimum residual income.

8.4 - DOCUMENTATION OPTIONS

Various forms of documentation are acceptable depending on borrower income type. Income should be calculated and documented to Fannie Mae guidelines, unless otherwise specified within Right Start guidelines. Fannie Mae guidelines prevail regarding sources and types of income as well as income not eligible to be included. A Fannie Mae Form 1084 or Seller equivalent income worksheet should be included and delivered as part of the credit file.

| <u>DOC TYPE</u> <u>SUMMARY</u> <u>Y</u> | <u>Full Doc</u> 24 Months | <u>Full Doc</u> 12 Months | <u>Self-Employed</u> <u>Solutions</u> | <u>Self-Employed</u> <u>Solutions Express</u> | <u>Asset Utilization</u> | <u>Debt Service</u> <u>Coverage</u> |
|---|------------------------------|------------------------------|--|--|---|---|
| Min FICO | 540 | 540 | 640 | 680 | 700 | 620 |
| Max LTV/CLTV | 80 | 80 | 75 | 75 | 75 | 80 |
| Income Documentation | 2 years W2s / Tax Returns | 1year W2s/Tax Return | 24 months Personal OR Business Bank Statements | 12 months Personal Bank Statements | Amortized Liquid Assets and 2 years W2s/Tax Returns | Existing Lease agreement(s) if applicable / Form 1007 |
| Tax Returns/ Transcript Required | Yes | Yes | No | No | Yes (If Appendix Q Income is used) | No |
| 4506-T Required | Yes | Yes | No | No | Yes (If Appendix Q Income is used) | No |
| Employment | W2 or Self Employed | W2 or Self Employed | Self Employed Only | Self Employed Only | W2 or Self Employed | W2 or Self Employed |
| Foreign National | Yes | NA | No | No | No | Yes |

8.41 4506-T

When the IRS Form 4506-T is required, the form must be signed by the borrower and the transcript obtained and provided in the credit file. If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income;

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation".
- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof ID theft was reported to and received by the IRS (IRS form 14039).
 - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:

- Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).

8.5 - FULL INCOME DOCUMENTATION

The Full Income documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean pay histories.

8.51 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV, and DTI.
- Maximum DTI is 50%
- Minimum 540 credit score.

8.52 - FULL INCOME DOCUMENTATION (24 MONTHS)

- When tax returns are required, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years' tax returns.
- Wage or Salaried Borrowers:
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
 - A verbal VOE from each employer within 10-days of the note date.
 - A completed, signed, and dated IRS Form 4506-T is required from each borrower. The form should be executed and the transcripts for the most recent two-year period included in the credit file. If tax returns included in the credit file, the transcripts and returns should be compared. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address.
 - Tax returns not required if the only income is wages or salary, if any business income present on transcripts, tax returns must be provided;
 - Personal tax returns must be complete with all schedules (W-2 forms, 1099 forms, K-1, and any other forms) and be signed and dated
 - If the borrower(s) own multiple investment properties, tax returns will be required to permit the review of Schedule E to determine rental income,
- Self Employed Borrowers:
 - Most recent two years' tax returns, personal and business if applicable (including all schedules, forms, K-1, etc.), signed and dated by each borrower.

- A YTD P&L and balance sheet, may be borrower prepared, (borrowers required to sign both the P&L and Balance Sheet),
- A complete, signed, and dated IRS Form 4506-T is required for each borrower and any business entity filing a separate return. The form should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
- Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search.
- Underwriter must consider the financial strength of a self-employed borrower's business.

8.53 - FULL INCOME DOCUMENTATION (12-MONTHS)

- When tax returns are required, the most recent year should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior year tax return.
- Wage or Salaried Borrowers:
 - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 form for the most recent tax year.
 - A verbal VOE from each employer within 10-days of the note date
 - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed and the W-2 transcript for the most recent year included in the credit file. Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address.
- Self Employed Borrowers:
 - Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower.
 - A YTD P&L and balance sheet (Borrower required to sign both the P&L and Balance Sheet),
 - A complete, signed, and dated IRS Form 4506-T is required for each borrower and any business entity filing a separate return, the forms should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
 - Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search
 - Underwriter must consider the financial strength of a self-employed borrower's business.

8.54 - OTHER SOURCES OF INCOME

The following sources of income must be verified using Fannie Mae requirements. In addition, Bonus, Commission, and Overtime only permitted with Full Income (24 Months) documentation.

- Bonus*
- Commission*
- Overtime*
- Part-time/Variable (uninterrupted and stable for past two years*)
- Retirement
- Social security
- Investment and Trust
- Military or government assistance
- Child support and alimony
- Rental Income: should be documented through Schedule E of the borrower's tax returns. If property has not previously been rented, then income will be calculated based on the lower of the lease agreement or 1007 times 75% for single unit property or 70% for 2-4-unit property.

* A period of two years must be used in calculating the average overtime, bonus, and commission income. If either type of income shows a continual decline, written justification on the income worksheet must be provided, or income should not be used. For Part-time employment, a minimum two (2) year history is required however a shorter period, of no less than twelve (12) months, may be considered case-by-case if positive factors are present to offset shorter history.

Commented [PO13]: Is 12-month full doc available with bonus & commission

8.6 - SELF-EMPLOYED SOLUTIONS (24 MONTHS BANK STATEMENTS)

The Self-Employed Solutions documentation option is available to self-employed borrowers only and allows the use of twenty-four (24) months bank statements to document self-employment income. Income documented through the Self-Employed Solutions option may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed Solutions, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506T is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings.

8.61 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV, and DTI.
- Maximum DTI is 43%
- Minimum 640 credit score.
- Primary borrower must be self-employed.

8.62 - DOCUMENTATION

| | |
|--|---|
| <p>Personal Accounts Account reflecting</p> | <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along |
|--|---|

| | |
|--|---|
| <p>personal income and expenses.</p> | <p>with either a phone listing and/or business address using directory assistance or internet search;</p> <ul style="list-style-type: none"> • Verify that the borrower owns a minimum of 25% of the business. • Most recent twenty-four (24) months of PERSONAL bank statements. • Most recent three (3) months of BUSINESS bank statements. |
| <p><u>Business Accounts</u> Account in the name of the business reflecting only business income and expenses.</p> | <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns 100% of the business; • Sales/Expense Documentation Options – One of the following required; <ul style="list-style-type: none"> ○ 24-month Profit and Loss Statement (P&L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements, the P&L should be signed by the preparer and the borrower; ○ An expense statement specifying business expenses as a percent of the gross annual sales/revenue prepared and signed by either a CPA or tax preparer. ○ A Bizminer¹ report for Discretionary Owner Earnings based upon business industry code and geographic location. A borrower prepared P&L statement. • Most recent twenty-four (24) months of BUSINESS bank statements. |
| <p><u>Co-mingled Business and Personal Accounts</u> Single account reflecting both personal/business income and expenses.</p> | <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns 100% of the business; • Sales/Expense Documentation Options – One of the following required; <ul style="list-style-type: none"> ○ 24-month Profit and Loss Statement (P&L) prepared by a CPA or Licensed Tax Preparer, matching the time period covered by the bank statements, the P&L should be signed by the preparer and the borrower; ○ An expense statement specifying business expenses as a percent of the gross annual sales/revenue prepared and signed by either a CPA or tax preparer. ○ A Bizminer¹ report for Discretionary Owner Earnings based upon business industry code and geographic location. A borrower prepared P&L statement. • Most recent twenty-four (24) months of PERSONAL or BUSINESS bank statements. |

- Verification of self-employed businesses by a third-party source must be obtained prior to Right Start loan purchase.
- NOTE: Tax returns and IRS Form 4506-T are not required for the program. If Tax returns and/or Transcripts are provided the loan will be ineligible for the Self-Employed Solutions documentation type.

- Bizminer¹ - www.bizminer.com A subscription service offering Industry Statistical Reports. The Discretionary Owner Earnings report available under Industry Financial Reports should be utilized in the loan analysis. The business should be classified using the North American Industry Classification System (NAICS). A NAICS resource tool is available on the site to help identify and drill down until a match is located for the borrower's business. A letter of explanation provided from the borrower describing the business operation will be needed to properly classify the business. Reports are available based upon geographic regions; US, State, or Metro. The report for the closest geographic area (when available) should be selected.

8.63 - SELF-EMPLOYED SOLUTIONS INCOME ANALYSIS

In addition to the factors described in the [Income Analysis](#) section of this guide, lenders should consider the following:

- PERSONAL bank statement review:
 - Income should be calculated based on a 24 month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.
 - Pattern of deposits and payment should be consistent.
 - Expectations of changes in deposit pattern must be considered.
 - Income documented separately but comingled must be backed out of deposits.
- BUSINESS & CO-MINGLED bank statement review will be based upon the documentation option selected above:
 - P&L Sales/Revenue must be supported by the provided bank statements. Total deposits per bank statements must be no more than 10% below revenue reflected on P&L. The bank statements and P&L must cover the same time period. . Qualifying income is the lower of the Net Income indicated on the P&L or the income indicated on the initial 1003.
 - Expense Statement – Net Income determined by total deposits per bank statements less total expenses. Total expenses calculated by multiplying total deposits by the expense factor provided by CPA or tax preparer. Qualifying income is the lower of the net income from the analysis or the income indicated on the initial 1003;
 - Bizminer – Net income determined by total deposits per bank statements multiplied by the Discretionary Owner Earnings percentage from the Bizminer report. Qualifying income is the lower of the net income using the Bizminer report, or the net income from the P&L, or the income indicated on the initial 1003; (The P&L must be provided by the borrower prior to the Bizminer report being pulled and the total bank deposits must be within 5% of the gross sales listed on the P&L)
 - Expenses must be reasonable for the type of business.
 - Pattern of deposits and payment should be consistent.
 - Expectations of changes in deposit pattern must be considered.
 - Income documented separately but co-mingled must be backed out of deposits.

Commented [PO14]: Define net income to include NI, plus Deprec, plus Owners salary

Commented [PO15]: Require borrower prepared P&L, use lower of P&L or Bizminer
Total deposits still need to be within 5% of sale on P&L
P&L must be dated prior to Bizminor report
Need instructions to pull report

- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...
 - Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
 - Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

Occurrences included in the analysis are subject to the following tolerances...

- Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
 - Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
 - Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- Underwriter must consider the financial strength of a self-employed borrower's business.

8.7 - SELF-EMPLOYED SOLUTIONS EXPRESS (12 MONTHS BANK STATEMENTS)

The Self-Employed Solutions documentation option is available to self-employed borrowers only and allows the use of 12 months of bank statements to document self-employment income. Income documented through the Self-Employed Solutions Express option may be combined with other income sources that are documented as Full Doc but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Self-Employed Solutions, a tax return is not required for the full income documentation, as this would invalidate the bank statements. The 4506T is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings.

8.71 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV, and DTI.
- Maximum DTI 36%.
- Minimum 680 credit.
- Primary borrower must be self-employed.
- Limited to sole proprietor and 100% business owners.

Commented [PO16]: Under S/E Solutions, now permit 25% ownership, do you want to make the same change here?

8.72 - DOCUMENTATION

| | |
|---|---|
| <p><u>PERSONAL Accounts</u> Account reflecting personal income and expenses.</p> | <ul style="list-style-type: none"> • Verify the existence of the business and ensure the business is active with the following; a letter from either the businesses tax professional certifying 4 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search; • Verify that the borrower owns 100% of the business; • Most recent twelve (12) months of <u>PERSONAL</u> bank statements. • Most recent three (2) months of <u>BUSINESS</u> bank statements. |
| <p><u>BUSINESS Accounts</u></p> | <ul style="list-style-type: none"> • Not Available |
| <p><u>Co-mingled Business and Personal Accounts</u></p> | <ul style="list-style-type: none"> • Not Available |

- Verification of self-employed businesses by a third-party source must be obtained prior to Right Start loan purchase.
- Tax returns and IRS Form 4506-T are not required for the program. If tax returns and/or Transcripts are provided the loan will be ineligible for the Self-Employed Solutions Express documentation program.

8.73 - SELF-EMPLOYED SOLUTIONS EXPRESS INCOME ANALYSIS

In addition to the factors described in the [Income Analysis](#) section of this guide, lenders should consider the following:

- PERSONAL bank statement review:
 - Income should be calculated based on a twelve (12) month average of total deposits minus any inconsistent deposits not justified. Qualifying income may not exceed the income indicated on the initial 1003.
 - Pattern of deposits and payment should be consistent.
 - Expectations of changes in deposit pattern must be considered.
 - Income documented separately but comingled must be backed out of deposits.
- Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection (Fees) associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist...
 - Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
 - Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer and (b) a payment amount which equals or exceeds the sum of all

overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

Occurrences included in the analysis are subject to the following tolerances...

- Up to five (5) occurrences in the most recent twelve (12) month time period is acceptable if there are zero (0) occurrences in the most recent three (3) month time period.
 - Up to three (3) occurrences are allowed in the most recent twelve (12) month time period if there are one (1) or more occurrences in the most recent two (2) month time period.
 - Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- Ensure the business is active and document and verify any business licensing (as applicable).
 - Underwriter must consider the financial strength of a self-employed borrower's business.

8.8 - ASSET UTILIZATION

The Asset Utilization documentation option is an option for the use of a borrower's liquid assets to augment income for loan and product qualification purposes.

8.81 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades, max LTV, and DTI.
- Maximum DTI is 43%
- Minimum 700 credit score.
- Cash-out transactions not eligible.
- Only eligible when combined with 24 Month Full Income Documentation.

8.82 - INCOME CALCULATION

Asset Depletion Income: total assets eligible for depletion, less down payment, less out of pocket closing costs, less required reserves, multiplied by 70%, then divided by 360.

Two income calculations must be performed on loans utilizing Asset Depletion:

- Max Appendix Q DTI is 55%:
 - Income must be calculated and documented in compliance with Appendix Q of Regulation Z. This income calculation and documentation requirement is consistent with that used for Right Start's Full Doc program.
 - Borrowers who have reached retirement age are not subject to the maximum Appendix Q DTI restrictions.
- Max DTI including Asset Depletion Income Calculation is 43%:
 - Asset Depletion Income (as calculated above) can be added to Appendix Q income when calculating DTI.

8.83 - INCOME DOCUMENTATION

- All individuals listed on the asset account(s) must be on the Note and Mortgage.
- Assets considered for this program must be verified with most recent three months of account statements or a VOD.
- Assets must be seasoned 120 days.
- Income other than Asset Depletion must be documented in accordance with the Full Doc program including tax returns and IRS Form 4506-T.
- Client is responsible for having a 3rd party pull a minimum of two months most recent statements. In lieu of 3rd party pull Right Start will also accept two months bank certified copies of the statements.

8.84 - ASSETS ELIGIBLE FOR DEPLETION

Assets must be liquid and available with no penalty. Additional documentation may be requested to validate the source of the asset.

- Marketable securities (i.e. CD's, money market accounts)
- Checking;
- Savings;
- Stocks;
- Bonds;
- Mutual Funds;
- Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½)

8.85 - ASSETS INELIGIBLE FOR DEPLETION

- Equity in real estate
- Privately traded or restricted/non-vested stocks
- Retirement Assets: Ineligible if the borrower is not of retirement age (at least 59 ½)
- Any asset which produces income already included in the income calculation

8.9 - DEBT SERVICE COVERAGE

Under the Debt Service Coverage documentation option property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and First-Time Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose ([Exhibit D](#)) and an Occupancy Certification ([Exhibit A](#)).

- **Experienced Investor:** A borrower who has owned two (2) or more properties within the most recent twelve (12) months (Primary residence can be included), with one (1) having documented rental income of twelve (12) months or more. Rental income can be documented with one of the following;
 - Two (2) mortgage trade lines on the credit report, reflecting 0x30x12 history, or
 - Copy of lease with 2-months proof of receipt
- **First-Time Investor:** A borrower that does not meet the Experienced Investor criteria. First Time Investors must have owned their primary residence for a minimum of twelve (12) months

8.91 - RESTRICTIONS

- See Right Start Matrices for acceptable credit grades and max LTV
- Minimum 620 credit score.
- First-Time Invest max LTV/CLTV=65%
- No Gift Funds permitted (Cash or Equity)
- Recent late payments on all consumer debt may not exceed 1X60 over prior 12 months.
- Tax returns and IRS Form 4506-T are not required for the program. If Tax returns and/or Transcripts are provided the loan will be ineligible for this documentation type.

8.92 - BORROWER INCOME

- No proof of income required;
- Pre-Funding VVOE required. If borrower is self-employed, proof of self-employment is required.

8.93- ASSET DOCUMENTATION

In the case of DSCR documentation, only 30-days of Asset verification is required. Large deposits need to be sourced, but no seasoning requirements apply. The remaining asset documentation standards in Section 7.0 of this Guide apply.

- Any account statement should cover most recent 30 day period.
- VOD must be dated within 30 days of loan application date.

8.94 - PROPERTY GROSS INCOME DOCUMENTATION AND DETERMINATION

LEASE REQUIREMENTS

- Unleased Property: A property where 1 or both of the following exist:
 - More than 50% of the units within the subject property do not have an existing lease;
 - More than 50% of the units within the subject property have an executed lease with less than three months remaining without proof of extension.
- Unleased Property LTV/CLTV Restrictions
 - Purchase Transaction: Program Max
 - Refinance (Rate/Term and Cash-Out)
 - Loan Balance <= \$1,000,000 - 65%/65%
 - Loan Balance > \$1,000,000 – 60%/60%

DOCUMENTATION REQUIREMENTS

- Purchase
 - Existing lease agreement(s), if applicable

- Form 1007
- Refinance
 - Existing lease agreement(s)
 - Form 1007

INCOME ANALYSIS

Gross Income

Gross Income is the lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease(s) agreement reflects higher rents than the 1007, the lease(s) amount may be used for gross rents if two months proof of receipt is verified. For purchase transactions without an existing lease and Unleased Property refinance transactions the gross rents indicated on the 1007 may be used without the lease agreement(s)

Debt Service Coverage Ratio

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA of the subject property.

See the Right Start Eligibility matrix for required Debt Service Coverage Ratios:

EXAMPLE: DEBT SERVICE COVERAGE RATIO

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Gross Market Rent = \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*)

Gross Income = \$850

\div PITIA = \$650

DSCR = 1.30

8.95 - RENT LOSS INSURANCE

Rent loss insurance covering a minimum of 6 months is required for the subject property.

8.96 - DEFAULT EVENT

If a loan payment is delinquent for 60 days, Right Start Mortgage's loan servicer will enforce the following provision from the 1-4 Family Rider; Assignment of Rents; Appointment of receiver; Lender in Possession.

8.11 - FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. In addition, to assist credit vendors in contacting the borrower, the Borrower Contact Consent Form ([Exhibit I](#)) must be completed.

8.111 - AUTOMATIC DEBIT PAYMENT AGREEMENT (ACH)

An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National. [See Exhibit B.](#)

8.112 - FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, O-2, P-1, P-2, TN NAFTA, Laser Visa
- The following are required as evidence the borrower is in the U.S legally
 - Copy of the borrowers valid and unexpired passport (including photograph)
 - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94. Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at <http://travel.state.gov/content/visas/en/visit/visa-waiver-program.html> The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.
- If a non-U.S. citizen is borrowing with a U.S. citizen, Foreign National documentation requirements still apply.
- All parties involved on transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: <http://sdnsearch.ofac.treas.gov/>.
- Borrowers from OFAC sanctioned countries are ineligible <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.
- Individuals with Diplomatic immunity not eligible <http://www.state.gov/s/cpr/rls>.
- All borrowers must complete IRS form W-8BEN
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- Power of Attorney (POA) is not allowed.

- An executed Automatic Debit Payment Agreement (ACH Form) from a U.S. Bank, including either the bank routing number, account number, and account type or a voided check is required for transactions involving a Foreign National.

8.113 - FOREIGN NATIONAL CREDIT

QUALIFYING U.S. CREDIT

- A credit report must be obtained for all Foreign National borrowers with a valid Social Security. Requirements found in the [CREDIT](#) section of this guide apply. Borrowers not meeting these requirements may proceed under the [Qualifying Foreign Credit](#) requirements detailed in this guide.
- Guideline restrictions: Qualifying U.S. Credit
 - Maximum LTV/CLTV: 75%
 - Gift Funds not allowed
 - Minimum Grade: B+
 - Minimum Credit Score: 620

QUALIFYING FOREIGN CREDIT

- Foreign National Borrowers without Qualifying U.S. Credit (including borrowers without a valid Social Security Number and borrowers with or without an Individual Tax Identification Number) must provide evidence of three (3) active and open tradelines with a two year history. No derogatory credit history is permitted. ANY combination of the following is acceptable to arrive at the tradeline requirement:
 - Tradelines evidenced via a U.S. credit report; AND/OR
 - Tradelines evidenced via international credit report if a U.S. credit report cannot be produced or does not provide a sufficient number of tradelines; AND/OR
 - Tradelines evidenced via credit reference letters from verified financial institutions in the borrower's country of origin if a U.S. credit report and/or international credit report is not available or the combination of the credit reports does not provide a sufficient number of tradelines.
 - A minimum of 1 reference letter must be from an internationally known financial institution.
 - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12 month payment history.
 - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
 - The letter must mention the borrower by name.
 - Name, title & contact information of the person signing the letter must be included.
 - Currency must be converted to U.S. Dollars and signed and dated by certified translator. All documents must be translated into English.

- Guideline restrictions: Qualifying Foreign Credit
 - Maximum LTV/CLTV: 70%
 - Gift Funds not allowed
 - Minimum Grade: B+ (No returned score results in a B+ grade)
 - Minimum Credit Score: 620 (when available)

HOUSING HISTORY

Evidence of a two year housing history (mortgage and/or rental) with 0x30x24 is required. Housing history may be included as one of the required tradelines for a [Qualifying U.S. Credit](#) transaction if it is included on the U.S. credit report, or it may be used as one of the required tradelines for a [Qualifying Foreign Credit](#) transaction if it is included on the U.S. credit report, the international credit report, or verified in accordance with [credit reference letter](#) requirements. Without verifiable housing history, including borrowers who live rent free, DTI may not exceed 36% and borrower must add four (4) months of reserves to the otherwise applicable reserve requirement.

8.114 - FOREIGN NATIONAL INCOME

- Borrowers with U.S. sourced income must comply with all Full Doc guidelines.
- [Foreign National Salaried/Wage Earners](#) qualifying on non-U.S. income sources must provide:
 - Paystubs covering a minimum of 30 days (which include YTD income) and one (1) of the following 1) W-2 equivalent or 2) Two (2) years tax returns from borrower's country of origin; OR
 - A letter from employer on company letter head providing current monthly salary, YTD earnings and total earning for the past 2 years. Letter from employer must be on company letterhead, including address and company web address, Employer to be independently verified (LexisNexis, D&B, Google, other). All docs must be translated by an independent certified translator; AND
 - Two (2) years tax returns from the borrowers country if residence (if applicable)
- [Foreign National Self-Employed](#) borrowers qualifying using non-US income sources:
 - Must be self-employed for a minimum of 2 years evidenced by a letter from the borrower's CPA or local equivalent (the "Accountant") on Accountant letterhead. The letter must include income figures for each of the last 2 years and YTD income. A business license (where required) and organization documents should be provided.
 - A copy of the Accountant's current license is required. The Business & Accountant must be independently verified.
 - All documents must be translated by an independent certified translator.
 - Two (2) years tax returns from the borrowers country if residence (if applicable)
- Income from countries sanctioned by OFAC is not allowed.
- Care must be taken when assessing income from non-U.S. sources. If income is declining or inconsistent, and cannot be isolated to a non-recurring instance, then the lowest annual income should be used.

The [INCOME](#) section of this guide prevails unless otherwise mentioned.

8.115 - FOREIGN NATIONAL ASSETS

RESERVES

- A minimum of twelve (12) months of reserves are required. Without verifiable housing history, including living rent free, the borrower must have an additional four (4) months of reserves.
- Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA.

ASSETS HELD IN FOREIGN ACCOUNTS

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing.

- Documenting assets held in foreign accounts:
 - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
 - A copy of the two (2) most recent statements for that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.
 - See the [Asset Documentation](#) section of this guide for eligible sources and types of assets.

The [ASSETS](#) section of this guide prevails unless otherwise mentioned

EXHIBIT A: OCCUPANCY CERTIFICATION

Loan Number: _____

OCCUPANCY CERTIFICATION

Borrower _____

Co-Borrower(s) _____

Property Address _____

I/We the undersigned certify that:

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

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

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

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

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

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

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

I/We the undersigned acquired this property on _____

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

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

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Borrower _____ Date _____

Revised XX/XX/20XX

EXHIBIT B: AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM

Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip

Yes, I would like to enroll in the free* monthly Automatic Payment Program

| | | |
|------------------------------------|--|--|
| Name: | Street Address: | City, State, Zip Code: |
| Mortgage Loan Number: | | |
| Daytime Phone Number: | Evening Phone Number: | |
| Financial Institution Name: | Financial Institution Phone Number: | |
| Account Routing Number: | Account Number: | <input type="checkbox"/> Checking <input type="checkbox"/> Savings |

***Please note that your financial institution may assess a fee for this transaction.**

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the _____ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ _____ per month.

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature _____ Date _____

CoBorrower's Signature _____ Date _____

EXHIBIT C: PERSONAL GUARANTY FORM

GUARANTY

WHEREAS, the undersigned, [_____] (and together with [_____])(called "Guarantor" and collectively called "Guarantors"), are substantially financially or otherwise interested in [_____] (the "Property"), and [_____] Limited Liability Company/Corporation (herein called "Borrower"), the maker of the Borrower's Note in the principal amount of \$[_____] payable to [_____] (the "Lender") and its successors and assigns (herein called the "Note"), and it will be of substantial economic benefit to the Guarantors, and each of them, for the Borrower to execute and deliver the Note and borrow the principal sum evidenced thereby and secured by the Mortgage, Deed of Trust or Security Deed therein described (herein called the "Security Instrument"). The Note and the Security Instrument, together with all riders thereto, are collectively referred to herein as the "Loan Documents"

WHEREAS, as a condition to making the Note to Borrower, Lender requires that Guarantor execute this Guaranty.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, and for other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, and in order to induce any person or persons who may be and become the holder of the Note to accept the same, the Guarantors, and each of them, hereby jointly and severally agree as follows:

1. The Guarantors, and each of them, hereby jointly and severally, unconditionally, absolutely and irrevocably guarantee, for the benefit of each and every present and future holder or holders of the Note (all herein called the "Obligees"), the full and prompt payment and performance when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter of:
 - a. the principal of, interest on, and all other amounts due at any time under the Note or any other Loan Document, including prepayment penalties, late payment charges, interest charge at the default rate (if applicable), and accrued interest as provided in the Loan Documents, advances, costs and expenses to perform the obligations of Borrower or to protect the Property or the security of the Security Instrument;
 - b. the payment and performance of all other obligations (including indemnity obligations) of Borrower under the Loan Documents;
 - c. all expenses and costs, including reasonable attorneys' fees and expenses, fees and out-of-pocket expenses of expert witnesses and costs of investigation, incurred by Lender as a result of any Event of Default under the Loan Documents or in connection with efforts to collect any amount due under the Loan Documents, or to enforce the provisions of the Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy or insolvency proceeding or any judicial or non-judicial foreclosure proceeding or other exercise by lender of its rights and remedies under any Loan Document (a "Foreclosure Event"), including any action for relief from the automatic stay of any bankruptcy proceeding or Foreclosure Event, to the extent permitted by law; and
 - d. all costs and expenses, including reasonable fees and out-of-pocket expenses of attorneys and expert witnesses, incurred by Obligee in enforcing its rights under the Guaranty (1 a., 1 b., 1 c. and 1 d. collectively are herein defined as "Indebtedness Hereby Guaranteed").
2. This Guaranty shall be a continuing guaranty, shall be binding upon the Guarantors, and each of them, jointly and severally, and upon their respective heirs, administrators, successors, legal representatives and assigns, and shall remain in full force and effect, and shall not be discharged, impaired or affected by (i) the

existence or continuance of any obligation on the part of the Borrower on or with respect to the Indebtedness Hereby Guaranteed, or any obligation under the Note, the Security Instrument or any other Loan Document, or under this Guaranty (collectively, the "Obligations"); (ii) the power or authority (or any lack thereof) of the Borrower to issue the Note or to execute, acknowledge or deliver the Note or the Security Instrument or any other Loan Document; (iii) the validity or invalidity of the Note or the Security Instrument or any other Loan Document; (iv) any defense whatsoever that the Borrower may or might have to the payment of the Indebtedness Hereby Guaranteed or to the performance or observance of any of the terms, provisions, covenants and agreements contained in the Note or the Security Instrument or other Loan Document; (v) any limitation or exculpation of liability on the part of the Borrower; (vi) the existence or continuance of the Borrower as a legal entity; (vii) the transfer by the Borrower of all or any part of the Premises referred to in the Security Instrument (herein called the "Premises") to any other corporation, person or entity; (viii) any sale, pledge, surrender, indulgence, alteration, substitution, exchange, change in, increase in, extension, modification or other disposition of any of the Indebtedness Hereby Guaranteed or Obligations, all of which the Obligees are hereby expressly authorized to make from time to time without notice to the Guarantors or any of them, or to anyone; (ix) the acceptance by the Obligees, or any of them, of any security for, or other guarantees upon, all or any part of the Indebtedness Hereby Guaranteed or Obligations; (x) any failure, neglect or omission on the part of the Obligees, or any of them, to realize or protect any of the Indebtedness Hereby Guaranteed or any collateral or security therefor, or to exercise any lien upon or right or appropriation of any moneys, credits or property of the Borrower toward the liquidation of the Indebtedness Hereby Guaranteed or any application of payments or credits thereon; (xi) any right, claim or offset which Guarantors may have against Borrower; or (xii) any defense (other than the payment of the Indebtedness Hereby Guaranteed and performance of the Obligations in accordance with its terms) that the Guarantors, or any of them, may or might have to their respective undertakings, liabilities and obligations hereunder, each and every such defense being hereby waived by the Guarantors and each of them; it being understood and agreed that this Guaranty, and the undertakings, liabilities and obligations of the Guarantors, and each of them, hereunder, shall not be affected, discharged, impaired or varied by act, omission or circumstance whatsoever (whether or not specifically enumerated above) except the due and punctual payment of the Indebtedness Hereby Guaranteed and performance of the Obligations, and then only to the extent thereof. The Obligees shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on the Indebtedness Hereby Guaranteed or the Obligations, or any part thereof; and in order to hold the Guarantors, or any of them, liable hereunder, there shall be no obligation on the part of any Obligees, or anyone, at any time, to proceed against the Borrower, its properties or estates, or to proceed against any other Guarantor, or to resort to any collateral, security, property, liens or other rights or remedies whatsoever.

3. The death of any Guarantor shall not terminate this Guaranty as to any surviving Guarantor, and shall not terminate this Guaranty as to the estate of the deceased Guarantor.

4. The Obligees, or any of them, shall have the right to enforce this Guaranty against any Guarantor for and to the full amount of the Indebtedness Hereby Guaranteed, with or without enforcing or attempting to enforce this Guaranty against any other Guarantor or any security for the obligation of any of them, and whether or not proceedings or steps are pending or have been taken or have been concluded to enforce or otherwise realize upon the obligation or security of the Borrower or any other Guarantor; and the payment of any amount or amounts by any Guarantor, pursuant to his obligation hereunder, shall not in any way entitle such Guarantor, either at law, in equity or otherwise, to any right, title or interest (whether by way of subrogation or otherwise) in and to any of the Indebtedness Hereby Guaranteed, or any principal or interest payments theretofore, then and thereafter at any time made by the Borrower on the Indebtedness Hereby Guaranteed, or made by anyone on behalf of the Borrower, or in and to any security therefor, unless and until the full amount of the Indebtedness Hereby Guaranteed has been fully paid.

5. No release or discharge of any Guarantor shall release or discharge any other Guarantor unless and until all of the Indebtedness Hereby Guaranteed shall have been fully paid and discharged and all Obligations

shall have been fully performed; and the failure or refusal of any Guarantor named herein to execute this Guaranty shall not release, affect or reduce the liability of any other Guarantor.

6. No act of commission or omission of any kind, or any time, on the part of any Oblige, in respect to any matter whatsoever, shall in any way affect or impair this Guaranty; and time is of the essence hereof.

7. All diligence in collection or prosecution, and all presentment, demand, protest and/or notice, as to any of the Guarantors, of dishonor and of default and of non- payment and of the creation and existence of any and all of the Indebtedness Hereby Guaranteed or of performance or non- performance of any Obligation, and of any security and collateral therefor, and of the acceptance of this Guaranty, and of any and all extensions of credit and indulgence hereunder, are expressly waived by the Guarantors, and each of them.

8. Any Oblige may, without any notice whatsoever to anyone, sell, assign or transfer all or any part of the Indebtedness Hereby Guaranteed, or grant participations in the Indebtedness Hereby Guaranteed, and in any and every such event, each and every immediate and successive assignee, transferee, holder of or participant in all or any part of the Indebtedness Hereby Guaranteed shall have the right to enforce this Guaranty by suit or otherwise, for the benefit of such assignee, transferee, holder or participant, as fully as if such assignee, transferee, holder or participant were herein by name specifically given such rights, powers and benefits.

9. This Guaranty, and each and every part hereof, shall be binding upon the Guarantors, and each of them, jointly and severally, and upon the heirs, administrators, legal representatives, successors and assigns of each of the Guarantors, and shall inure to the pro rata benefit of each and every future holder of the Note or any interest in the Indebtedness Hereby Guaranteed.

10. The delivery of the Note for value to any person shall, without more, constitute conclusive evidence of the acceptance hereof, and of the reliance hereon by each and every from time to time holder of the Note or any interest in the Indebtedness Hereby Guaranteed.

11. Guarantor acknowledges and agrees that Oblige is authorized to obtain a credit report (if applicable) on Guarantor at any time

12. As used herein, the masculine gender shall include the feminine, and the singular case shall include the plural and the plural the singular, wherever the same may be applicable.

13. The obligation and liability of each Guarantor shall for all purposes be a joint and several obligation and liability for all of the Indebtedness Hereby Guaranteed.

14. Notwithstanding any modification, discharge or extension of the Indebtedness Hereby Guaranteed or any amendment, modification, stay or cure of the Obligees' rights under the Note, Security Instrument or other Loan Document which may occur in any bankruptcy or reorganization case or proceeding affecting the Borrower, whether permanent or temporary, and whether or not assented to by the Obligees, the Guarantors hereby agree that they shall be obligated hereunder to pay the Indebtedness Hereby Guaranteed and discharge the other Obligations in accordance with the terms of the Note, Security Instrument and other Loan Documents and the terms of this Guaranty as in effect on the date hereof.

15. Each Guarantor understands and acknowledge that by virtue of this Guaranty such Guarantor has specifically assumed any and all risks of a bankruptcy or reorganization case or proceeding affecting the Borrower; and, as an example and not by way of limitation, a subsequent modification of the Note, Security Instrument or other Loan Documents in any reorganization case concerning the Borrower shall not affect the obligation of such Guarantors to pay the Note and all other Indebtedness Hereby Guaranteed and to perform and observe all obligations in accordance with the original terms thereof.

16. Each Guarantor hereby agrees that if at any time all or any part of any payment theretofore applied by any of the Obligees to any Indebtedness Hereby Guaranteed is rescinded or returned by any of the Obligees for any reason whatsoever (including, without limitation, the insolvency, bankruptcy, liquidation or reorganization of any party), the Indebtedness Hereby Guaranteed shall, for the purposes of this Guaranty, be deemed to have continued in existence to the extent of such payment, notwithstanding such application by any of the Obligees, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to the Indebtedness Hereby Guaranteed, all as though such application by any of the Obligees had not been made.

17. Guarantors each hereby agree that this Guaranty shall be interpreted under and governed by the laws of the State of Delaware.

18. The Guarantors each hereby acknowledge and agree that for all purposes hereof all actions or proceedings in any way, manner or respect arising out of or relating to this Guaranty and the transactions contemplated herein (herein generally called "Litigation"), shall be litigated only in courts having situs in the Applicable County or in Federal Court in the District in which the Applicable County is located. The Guarantors and each of them hereby consent and submit to the jurisdiction of any local or State court located within the Applicable County or any Federal Court in the District in which the Applicable County is located. The Guarantors and each of them hereby waive any right they or any of them may have to transfer or change the venue of any Litigation brought against Guarantors or any of them. The Guarantors and each of them hereby irrevocably waive the right to trial by jury with respect to any Litigation.

19. It shall be an Event of Default under this Guaranty and under the other Loan Documents in the event that: any Guarantor shall be dissolved, die or be adjudged legally incompetent and either (i) substitute collateral, or (ii) a replacement guarantor with sufficient creditworthiness to support the obligations, that is acceptable to Obligees in Obligees' sole discretion, is not found within sixty (60) days of said guarantor's dissolution, death or having been adjudged legally incompetent; or

20. This Guaranty may be executed in separate counterparts and such counterparts, taken together, shall constitute a fully executed and enforceable Guaranty.

21. If any one or more of the provisions or terms of this Guaranty shall be held invalid, pursuant to applicable state law or otherwise, then such provisions or terms shall be deemed severable from the remaining terms of this Guaranty and shall in no way affect the validity or enforceability of the other provisions of this Guaranty, and only the enforceable terms of this Guaranty shall survive.

21. Guarantor acknowledges, represents and warrants that:

- a. it understands the nature and structure of the transactions contemplated by this Guaranty and the other Loan Documents;
- b. it is familiar with the provisions of all of the documents and instruments relating to such transactions;
- c. it understands the risks inherent in such transactions, including the risk of loss of all or any part of the Property or of the assets of the Guarantor;
- d. it has had the opportunity to consult counsel;
- e. it has not relied on Lender or any Obligee for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Guaranty or any other Loan Document or otherwise relieved on Lender or any Obligee in any manner in connection with interpreting, entering into or otherwise in connection with this Guaranty, any other Loan Document or any of the matters contemplated hereby or thereby.

IN WITNESS WHEREOF, the Guarantor(s) have signed and sealed this Guaranty as of the day and year first above written.

[Name]

Address: _____

Social Security Number: _____

[ADD THE ABOVE SIGNATURE BLOCK FOR EACH ADDITIONAL GUARANTOR]

I, the undersigned, a Notary Public in and for the county and state aforesaid, do hereby certify that ___ as GUARANTOR, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me in person and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein and set forth.

Given under my hand and notarial seal this _____ day of _____, 201[]

Notary Public

EXHIBIT D: BORROWER CERTIFICATION OF BUSINESS PURPOSE

BORROWER CERTIFICATION OF BUSINESS PURPOSE

Date:

Borrower(s) Name:

Borrower(s) Address:

Loan No:

Property Address:

Borrower or its members ("Borrower") hereby warrants and represents that they wish to continue with the loan application, that the loan is for commercial purposes and not consumer purposes, and that the loan proceeds are intended to be used and shall be used for commercial purposes only, not for personal, family or household purposes. Borrower also represents that none of the properties securing the loan is currently occupied by Borrower as their primary residence or vacation home, but instead all properties are leased or intended to be leased or occupied by an entity or person other than Borrower, and that Borrower shall not occupy or reside in any of the properties during the term of the loan.

Borrower's purpose in applying for the loan is to use the proceeds of the loan for:

Because the loan would be made exclusively for commercial purposes as noted immediately above, laws applicable to consumer purpose loans, such as the following laws, are not applicable to the loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

By signing below Borrower hereby confirms that they have read and understand the Borrower Certification of Business Purpose, that the information provided in connection with obtaining the loan is complete and accurate as of the date above, and that the Properties are non-owner occupied investment properties.

Borrower(s):

(Signature) (Date)

(Type/Print Name)

(Signature) (Date)

(Type/Print Name)

(Signature) (Date)

(Type/Print Name)

(Signature) (Date)

(Type/Print Name)

EXHIBIT E: CONDOMINIUM PROJECT QUESTIONNAIRE

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name: _____ Date: _____
 Project Street Address: _____ HOA Tax Payer ID: _____
 Unit Address: _____ Loan Number: _____
 HOA Representative: _____ Lender Name: _____

In order for us to determine eligibility of your project, we ask for your assistance in completing this form. Any officer of the association/management form may complete this form. It is imperative that each question is answered in full. Your cooperation will assure a smooth experience for both the borrower and the seller.

Part I: PROJECT INFORMATION

Please provide actual numbers and not percentages in the chart below:

| Legal Phase # Previous and Future Phases | # of Units Per Phase | # of Buildings | # of Units Complete | # of Units for Sale | # of Units Sold or Under Contract | # of Owner Occupied and Secondary Homes | # of Investor Units |
|--|----------------------|----------------|---------------------|---------------------|-----------------------------------|---|---------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

NOTE: If unable to provide number of second homes, provide number of off-site addresses: _____

1. Please provide a breakdown of the total number of units in the Project below:

of Owner Occupied Units _____ # of Investor Units _____ # of Units Sold from Developer _____
 # of Secondary Home Units _____ # of Units for Sale _____ # of Units in Entire Project _____

2. Does the project have any of the characteristics listed below? Please check all that apply: Yes No

- Hotel/Motel Operations
- On-Site Registration Desk
- Short Term/Daily Rentals
- Continuing Care Facility
- Maid Service
- Houseboat
- Investment Security
- Live-Work Project
- Room Service
- Key-Card Entry
- Cooperative
- Timeshare
- Bellman
- Mandatory Rental Pool
- Manufactured Housing
- Multi Dwelling

3. What year was the Project built or converted? _____

4. How many stories or floors does the Project have? _____

5. What is the maximum number of units allowed in the Project? _____

6. Are at least 90% of the total units sold and closed? Yes No

7. Are all units and common elements complete and not subject to any additional phasing and/or additions?
 If yes, when was the Project completed? Yes No

8. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued? Yes No
 If no, when will the phase be completed? _____
 Date subject phase completed? _____
 Date last phase was completed? _____
 What remains to be completed for Project to be 100% complete? _____

9. Is the Project a conversion of an existing building within the last three years? *if yes:* Yes No
 What year was the Project original built? _____
 What date was the conversion completed? _____
 Was the conversion a gut rehab? *Gut rehab refers to the renovation of a property down to the shell, with replacement of all HVAC and electronic components.* Yes No
 What was the original use of the building? _____
 NOTE: if Project is a conversion completed less than four years ago, please submit a copy of the engineer/architect report, evidence of repairs completed, current Reserve Study (last 24 months), and evidence of working capital fund.
10. Is any part of the Project used for commercial space? *if yes:* Yes No
 What is the total square footage of the commercial space? _____
 What is the total square footage of the building? _____
 What floor(s) is the commercial space located on? _____
 How is the commercial space currently used? _____
11. Is the Project part of a mixed-use building (contains both commercial and residential space not part of the association)? *if yes:* Yes No
 What is the total square footage of the commercial space? _____
 What is the total square footage of the building? _____
 What floor(s) is the commercial space located on? _____
 How is the commercial space currently used? _____
12. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure, or foreclosure? Yes No
if yes, please describe the details and provide documentation and attorney letter relating to the litigation: _____
13. Are there any pending or levied special assessments by the HOA? *if yes:* Yes No
 What is the total amount of assessment? _____
 What is the assessment amount per unit? _____
 What is the term of the assessment? _____
 What is the current assessment balance? _____
 Has work been completed? Yes No
 Describe the nature of the assessment: _____
14. Does the association have any knowledge of any adverse environmental factors affecting the Project as a whole or any individual unit within the Project? *if yes, please provide an explanation:* Yes No

15. Is there more than one association within the Project, covered by a Master or umbrella association? *if yes:* Yes No
 Master association name: _____
 Amenities and/or recreational facilities available through Master Association: _____
16. Are there any common amenities and/or recreational facilities available or to be built in the future? Yes No
if yes, please provide the type(s):
 Pool Clubhouse Tennis Court Playground
 Other (describe): _____
17. Are all common elements, amenities, and/or recreational facilities owned jointly by the unit owners/HOA (including any Master Association)? *if no, please provide an explanation:* Yes No

18. Does the HOA own all amenities and recreational facilities debt and lien free? Yes No
19. Do the unit owners in the Project have rights to the use of all common elements/amenities? Yes No

20. Does the HOA share any common amenities with other, unaffiliated projects? Yes No
21. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party? Yes No
22. Are any units in the Project with resale or deed restrictions? *If yes, please explain. Provide related agreements and number of units subject to restriction and unit numbers:* Yes No
-
23. Are all units owned fee simple? Yes No
24. Are any of the units owned in a leasehold? *If yes, please provide copies of leasehold documents.* Yes No
25. Is the developer leasing or renting any of the units in the Project? *If yes, provide number of units leased/rented by developer:* Yes No
-
26. Is the developer responsible for assessments on unsold units? Yes No
27. If a unit is taken over in foreclosure, will the mortgagee be liable for more than six months of unpaid dues? Yes No
28. How many units are over 60 days delinquent on HOA dues or assessments (including REO owned units)? _____
29. How many units are over 30 days delinquent (including units that are over 60 days delinquent) in payment of HOA dues or assessments (including REO owned units)? _____
30. Does any single entity (individual, investor, or corporation) own more than 10% of the units in the Project? Yes No
31. Are two members of the HOA Board required to sign all checks written from the reserve account? Yes No
32. Does the HOA maintain two, separate bank accounts or the operating and reserve accounts? Yes No
33. Does at least 10% of annual budget provide for funding of replacement reserves, capital expenditures, deferred maintenance, and insurance deductibles? Yes No
34. Is the Project professionally managed? *If yes, please provide:*
What is the length of the current management contract? Yes No
Does the management contract require a penalty for cancellation of at least 90 days? Yes No
35. Has the developer turned over Project control to unit owners?
If yes, when was it turned over? _____
If no, what is the anticipated date the Project will be turned over to the unit owners? _____
36. If/when the Project is turned over to the unit owners, does the developer retain any ownership in the Project besides unsold units?
If yes, please provide what is owned by the developer and how it is used: _____

PART II. PREPARER INFORMATION

Name: _____ Phone: _____
 Title: _____ Email: _____

When completed by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer. The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____ Date: _____

PART III: REQUIRED DOCUMENTATION

New Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Verus Condominium Questionnaire, or similar.
- FNMA Warranty of Project Presale signed by developer/builder as authorized representative (Form 1029).
- FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable lender's warranty.
- FNMA Final Certification of Substantial Project Completion completed by developer (Form 1081).
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- Project legal documents: Declarations, By-Laws, and any Amendments.
- Schedule of outstanding loan information.
- Letter from construction lender stating financing is in good standing.
- Evidence there are no contractor liens outstanding.
- Project Marketing Analysis: sales and marketing plan.
- Photos of subject property and two comparable projects including site, improvements, facilities/amenities, and parking.
- PERS Preliminary Approval, if applicable.

Established Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Verus Condominium Questionnaire, or similar.
- Established Project Certification.
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.

Re-Certification of Projects:

- Fannie Mae Application for Project Approval (Form 1026) Project Certification, Verus Condominium Questionnaire, or similar.
- Project Approval Certification Form.
- Current Annual Budget.
- Current Balance Sheet (dated within the last 60 days).
- Evidence of current HOA/Project insurance in compliance with FNMA guidelines.
- Any amendments, supplements, etc. to the Project legal documents.

EXHIBIT F: DEVELOPER/BUILDER QUESTIONNAIRE

DEVELOPER/BUILDER QUESTIONNAIRE

Project Name: _____
 Legal Address: _____

Developer Company Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Builder Name: _____ President/Owner: _____
 Address: _____ Phone: _____
 Website: _____ Email: _____

Broker/Marketing Co. Name: _____ Sales Manager: _____

1. Is the marketing firm affiliated with the developer/builder? *If yes, describe the relationship:* Yes No
2. Are sales or financing concessions offered as part of the marketing of units? *If yes, what concessions are being offered? Please provide sales and marketing plan.* Yes No

BUILDER/DEVELOPER CONSTRUCTION EXPERIENCE

3. Number of condo projects: _____
4. Number of units: _____
5. Unit types: _____
6. Does the developer have previous experience with conversion projects? Yes No
7. Number of units currently being rented by Builder/Developer: _____
8. Number of units currently being renovated/converted into condominiums: _____
9. What is the anticipated completion date of the units being renovated/converted? _____

PROJECTS COMPLETED

| Project Name | Location | # of Units | Year Completed |
|--------------|----------|------------|----------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

BUILDER/DEVELOPER PRE-SALE CERTIFICATION

| Status | Subject Phase | Completed Phases | Future Phases | TOTAL Project |
|---|---------------|------------------|---------------|---------------|
| Number of units closed to borrower other than Builder/Developer | | | | |
| Number of units under contract/signed Purchase Agreement | | | | |
| Number of units under construction | | | | |
| Number of units available for sale | | | | |
| Number of units owned or intended as owner occupied | | | | |
| Number of units owned or intended as rental units | | | | |
| Number of units currently rented by Builder/Developer | | | | |
| Total number of units | | | | |

10. Does the builder/developer plan to retain ownership of any units, common elements, or other Project facilities other than during initial marketing period? *If yes, please provide an explanation of what is being retained and the reason:* Yes No
11. Are there any mechanic's liens, complaints, or litigation filed against the property? *If yes, please provide an explanation and any supporting documentation:* Yes No

DEVELOPER/BUILDER REQUIRED DOCUMENTATION

- Current reserve study (within three years), or equivalent, evidencing current condition of the Project elements, what work is needed, remaining life, and estimate of cost to replace.
- FNMA Form 1081 Final Certification of Substantial Project Completion or Project Occupancy Certification.
- Rent roll/absorption.
- Schedule of outstanding loans.
- Letter from construction lender stating financing is in good standing or statement from Builder/Developer indicating no financing exists.
- Evidence of available fund to complete the Project, e.g., certificate, letter of credit, or verification of liquid assets.
- Project Marketing Analysis: Sales and Marketing Plan.
- Project status letter detailing what is being completed/improved, cost estimate, and estimated date of completion.

CERTIFICATION

Builder/Developer has completed the information above, including the occupancy grid (or has attached a list documenting same in excel format), and attests to its accuracy.

Builder/Developer Name (please print) _____ Title _____
 Builder/Developer Signature _____ Date _____

Title 18 U.S.C. 1014, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any matter in the jurisdiction of any department or agency of the United States, shall be fined not more than \$1,000,000 or imprisoned for not more than 30 years or both. In addition, violation of this or others may result in debarment and civil liability for damages suffered by the Department.

EXHIBIT G: LLC BORROWING CERTIFICATE – SINGLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being the sole member of [_____, a _____ limited liability company] (“**Borrower**”), does hereby certify that it is the sole and only member of Borrower and, under the Borrower’s [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower’s act and deed:

1. To borrow money from [LENDER LEGAL NAME] (“**Lender**”) and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower’s real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower’s obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$_] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender’s receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower’s continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20].

[INSERT SIGNATURE BLOCK FOR SOLE MEMBER]

EXHIBIT H: LLC BORROWING CERTIFICATE – MULTIPLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being all of the members of [_____, a ___ limited liability company] (“Borrower”), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower’s [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower’s act and deed:

1. To borrow money from [LENDER LEGAL NAME] (“Lender”) and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower’s real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower’s obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [\$ _____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender’s receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower’s continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

[INSERT SIGNATURE BLOCKS FOR MEMBERS AND ALL MANAGERS]

EXHIBIT I – BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

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

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

Mailing address for your mortgage statements and other correspondence:

_____ Same as the subject property

_____ Please use this mailing address instead:

Cell phone number:

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

Borrower (_____) _____ - _____

Co-Borrower (_____) _____ - _____

Email address:

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

Borrower _____ @ _____

Co-Borrower _____ @ _____

Signature(s)

Borrower _____

Date

Co-Borrower _____

Date

EXHIBIT J – CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Condominium Project Warranty Certification

| | |
|-------------------------|--|
| Project Name: | |
| Project Address: | |
| Phase | |
| Borrower Name: | |
| Subject Address: | |
| Lender Name: | |
| Loan Number: | |

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Lender representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review including review of all required documentation for the project type.

Project type: Established New 2-4 unit

Project Documents reviewed include:

| | |
|--|---|
| | Condo Questionnaire |
| | Current annual HOA/Project Budget |
| | Current Balance Sheet |
| | Evidence of Project Insurance |
| | Project legal documents as required by Project type |

Lender certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Lender Representative certifies that all appropriate documentation has been examined and that the Representative and Lender warrant that the project meets all requirements set forth in the FannieMae guidelines for a Full Review.

Signature of Lender Representative certifying

Name of Lender Representative

Title of Lender Representative

Date of Certification:

