



# The Science of Doing Non-QM Right!™

## DSCR NON-RESIDENTIAL

Effective 8/1/2024

Loan Amount	FICO	Reserves	DSCR	Purchase	Rate Term Refi	Cash Out Refi
≤ 1,500,000	700	6 Mos	>= 1	75%	70%	65%
≤ 2,000,000	700	9 Mos	>= 1	70%	65%	65%

PROGRAM PARAMETERS				LINKS TO CONTENT	
<b>Borrower Experience</b>	Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years.				
<b>Eligible Property Types</b>	Residential 5 – 8 Units Mixed Use 2 – 8 Units				
<b>Minimum Loan Amount</b>	\$400,000	<b>Rural</b>	Not Permitted		
<b>Minimum DSCR</b>	1.00	<a href="#">Housing History</a>	0x30x12		
<b>Maximum Cash Out</b>	\$1,000,000	<b>Bankruptcy &amp; Housing Event Seasoning</b>	36 Months		
				<a href="#">Credit Requirements</a>	
				<a href="#">Assets</a>	
				<a href="#">Borrowers</a>	
				<a href="#">Subject Property</a>	
				<a href="#">Vesting to Business Entity</a>	
				<a href="#">Miscellaneous</a>	
				<a href="#">Eligible States &amp; License Requirements</a>	

DSCR	
<b>DSCR Calculation:</b>	<ul style="list-style-type: none"> <li>• Full Amortization = Qualifying Rental Income ÷ PITIA</li> <li>• Interest Only = Qualifying Rental Income ÷ ITIA</li> </ul>
<b>Long-Term Qualifying Rental Income:</b>	<ul style="list-style-type: none"> <li>• Leased Unit(s)               <ul style="list-style-type: none"> <li>✓ Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment).</li> <li>✓ Use lower of estimated market rent or lease agreement.</li> </ul> </li> <li>• Vacant Unit(s)               <ul style="list-style-type: none"> <li>✓ Use 75% of market rent.</li> <li>✓ Maximum vacancy:                   <ul style="list-style-type: none"> <li>○ Mixed Use 2-4 Unit properties: 1 vacant unit</li> <li>○ Mixed Use &amp; Residential 5-8 Unit properties: 2 vacant units</li> </ul> </li> </ul> </li> <li>• Copies of all leases must be provided.</li> <li>• Reduce qualifying rents by any management fee reflected on appraisal report.</li> <li>• Income from commercial space must not exceed 49% of the total property income.</li> </ul>
<b>Short-Term Qualifying Rental Income:</b>	<ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>

**CREDIT REQUIREMENTS**

<p><b>Qualifying Credit Score:</b></p>	<ul style="list-style-type: none"> <li>• A credit report must be obtained for all borrowers who have a valid Social Security Number.</li> <li>• Each individual borrower’s qualification score is determined as follows:             <ul style="list-style-type: none"> <li>✓ 3 scores: Middle score</li> <li>✓ 2 scores: Lowest score</li> <li>✓ 1 score: Borrower is not eligible</li> </ul> </li> <li>• Highest qualification score of all borrowers is used for overall loan qualification.</li> </ul>
<p><b>Tradelines:</b></p>	<ul style="list-style-type: none"> <li>• All borrowers must be evaluated individually.</li> <li>• Borrowers with 3 credit scores:             <ul style="list-style-type: none"> <li>✓ No minimum tradelines required</li> </ul> </li> <li>• Borrowers with 2 credit scores:             <ul style="list-style-type: none"> <li>✓ 3 tradelines reporting for 12+ months all with activity in the last 12 months; OR</li> <li>✓ 2 tradelines reporting for 24+ months all with activity in the last 12 months.</li> </ul> </li> <li>• To qualify as a valid tradeline, the following requirements apply:             <ul style="list-style-type: none"> <li>✓ Must be reflected on credit report. (An acceptable 12- or 24-month housing history, not reporting on credit, may also be used as a tradeline.)</li> <li>✓ Must have activity in the past 12 months and may be open or closed.</li> <li>✓ Max 0 x 60 x 12.</li> </ul> </li> <li>• Credit lines on which the borrower is not obligated to make payments are not acceptable. Examples include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts.</li> <li>• Student loans can be counted as tradelines if they are in repayment and are not deferred.</li> </ul>
<p><b>Housing History:</b></p>	<ul style="list-style-type: none"> <li>• A 12-month history is required for borrower’s primary residence if in United States, and subject property if a refinance transaction.</li> <li>• A housing history is not required for other REO not reporting on credit.</li> <li>• Any housing event reported on credit for any property must be included in housing history eligibility.</li> <li>• Housing payments not reflected on the original credit report may be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM) or lender generated payment history showing paid dates and due dates. Mortgage statements for the review period may also be utilized if they indicate the due date which each payment was applied to.</li> <li>• If the borrower is making payments to an individual or interested party, the most recent 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM form is also required to establish which due date each payment was applied to.</li> <li>• A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</li> <li>• All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</li> </ul>
<p><b>Charge-Offs &amp; Collections:</b></p>	<ul style="list-style-type: none"> <li>• Ignored unless title is impacted.</li> </ul>

**CREDIT REQUIREMENTS**

<b>Judgments and Liens:</b>	<ul style="list-style-type: none"> <li>• All judgments or liens affecting title must be paid.</li> <li>• Active court-ordered judgments may remain open when one of the following options is met:             <ul style="list-style-type: none"> <li>✓ The amount is the lesser of \$5,000 per occurrence or 2% of the loan amount: OR</li> <li>✓ The borrower is currently in a repayment agreement with the creditor, a minimum of 3 months has elapsed on the plan, and evidence of timely payments for the most recent 3 months is provided.</li> </ul> </li> <li>• Outstanding state and federal tax liens or delinquent obligations may remain open on purchase transactions when all the following requirements are met:             <ul style="list-style-type: none"> <li>✓ A copy of the repayment agreement is obtained; AND</li> <li>✓ A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; AND</li> <li>✓ The title company must provide written confirmation confirming                 <ul style="list-style-type: none"> <li>○ the title company is aware of the outstanding tax lien, and</li> <li>○ there is no impact to first lien position.</li> </ul> </li> </ul> </li> </ul>
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**BORROWERS**

<b>Eligibility:</b>	<b>Borrower Type</b>	<b>Eligible?</b>	<b>Borrower Type</b>	<b>Eligible?</b>
	US Citizen	Yes	Foreign National	No
	Permanent Resident Alien	Yes	Business Entities	No
	Non-Permanent Resident Alien	Yes	Diplomatic Immunity	No
	Asylum Status	Yes	From OFAC Sanctioned Countries	No
	DACA	Yes		
	ITIN	No		
<b>First Time Investor:</b>	<ul style="list-style-type: none"> <li>• Defined as: Borrower(s) who have not owned and managed commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years.</li> <li>• Not Eligible</li> </ul>			
<b>First Time Homebuyer:</b>	<ul style="list-style-type: none"> <li>• Defined as: Borrower(s) who have not owned at least one residential property in the United States in the last 3 years.</li> <li>• Not Eligible</li> </ul>			
<b>Occupancy:</b>	<ul style="list-style-type: none"> <li>• Business purpose Investment Property only</li> <li>• Residential unit(s) not permitted to be occupied by the borrower or the borrower’s family.</li> <li>• Commercial unit(s) may be occupied by the borrower’s business.</li> </ul>			

**BORROWERS**

**Perm Resident Alien:**

- A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.
- Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:
  - ✓ I-151 – Permanent Resident Card (Green Card) that does not have an expiration date
  - ✓ I-551 – Permanent Resident Card (Green Card) issued for 10 years that has not expired
  - ✓ I-551 – Conditional Permanent Resident Card (Green Card) issued for 2 years that has an expiration date and is accompanied by a copy of USCIS Form I-751 requesting removal of the conditions
  - ✓ Un-expired Foreign Passport with an un-expired stamp reading as follows: “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yyyy. Employment Authorized.”

**Non-Perm Resident Alien:**

- Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.
- 2 years US residency history required, with valid Social Security Number and US credit.
- Validation that borrower has employment authorization is required with **one** of the following:
  - ✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card.
    - The EAD may not expire within 6 months of loan application date.
    - The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.
  - ✓ Form I-765 Application for Employment Authorization. The form must reflect approval status in the Action Block (upper right-hand corner)
  - ✓ Form I-797, I-797A, or I-797B or I-797C conveying approval status.
  - ✓ Employment authorization may also be evidenced by certain VISA types. Some common VISAs allowing employment include E-3, H-1B, L, O, and P.
- Copy of borrower’s passport is not required.

**Asylum:**

- Individuals granted asylum are eligible for financing.
- 2 years US residency history required, with valid Social Security Number and US credit.
- Validation that borrower has employment authorization is required with **one** of the following:
  - ✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card referencing Category C08.
    - The EAD may not expire within 6 months of loan application date.
    - The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.
  - ✓ Form I-765 Application for Employment Authorization. The form must reflect approval status in the Action Block (upper right-hand corner)
  - ✓ Form I-797, I-797A, or I-797B or I-797C conveying approval status.
  - ✓ Form I-94 with a stamp or notation such as “asylum granted indefinitely”.
  - ✓ Form I-94 with an admission class of “AY”
- Copy of borrower’s passport is not required.

**BORROWERS (continued)**

<b>DACA:</b>	<ul style="list-style-type: none"> <li>• Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident.</li> <li>• 2 years US residency history required, with valid Social Security Number and US credit.</li> <li>• Validation that borrower has employment authorization is required with one of the following:             <ul style="list-style-type: none"> <li>✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card referencing Category C33.                 <ul style="list-style-type: none"> <li>▪ The EAD may not expire within 6 months of loan application date.</li> <li>▪ The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.</li> </ul> </li> <li>✓ Form I-765 Application for Employment Authorization. The form must reflect approval status in the Action Block (upper right-hand corner)</li> <li>✓ Form I-797, I-797A, or I-797B or I-797C conveying approval status.</li> </ul> </li> <li>✓ Copy of borrower’s passport is not required.</li> </ul>
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**ASSETS**

<b>Large Deposits:</b>	<ul style="list-style-type: none"> <li>• Not sourced</li> </ul>
<b>Seller Concessions:</b>	<ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>
<b>Borrower Contribution:</b>	<ul style="list-style-type: none"> <li>• All funds are required to be from the borrower.</li> </ul>
<b>Gift Funds:</b>	<ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>
<b>Gift of Equity:</b>	<ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>
<b>Reserves:</b>	<ul style="list-style-type: none"> <li>• Reserve requirements limited to subject property only. Additional reserves for other REO not required.</li> <li>• Cash out proceeds may NOT be used to satisfy reserve requirements.</li> </ul>
<b>Spousal Accounts:</b>	<ul style="list-style-type: none"> <li>• Spousal Accounts used for down payment and closing costs must be treated as gift funds.</li> <li>• Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.</li> </ul>

SUBJECT PROPERTY	
<b>Eligible Property Types:</b>	<ul style="list-style-type: none"> <li>• Residential 5 – 8 Units</li> <li>• Mixed use 2 – 8 Units                             <ul style="list-style-type: none"> <li>✓ Commercial usage limited to Retail, Office or Restaurant.</li> <li>✓ Residential or Commercial Zoning acceptable.</li> <li>✓ 2-3 Units: Max 1 commercial Unit</li> <li>✓ 4-5 Units: Max 2 commercial Units</li> <li>✓ 6-8 Units: Max 3 commercial Units</li> <li>✓ Commercial space must not exceed 49% of the total building area.</li> </ul> </li> <li>• Rural properties are not eligible.</li> </ul>
<b>Acreage:</b>	<ul style="list-style-type: none"> <li>• Maximum 2 acres</li> </ul>
<b>Property Condition:</b>	<ul style="list-style-type: none"> <li>• No Fair or poor ratings.</li> <li>• No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)</li> <li>• No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)</li> <li>• No excessive deferred maintenance that could become a health or safety issue for tenants</li> <li>• No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)</li> </ul>
<b>Appraisal:</b>	<ul style="list-style-type: none"> <li>• A full interior inspection with photos is required for all units.</li> <li>• Appraised value must be based on the sales approach.</li> <li>• 5-8 Residential:                             <ul style="list-style-type: none"> <li>✓ A FHLMC 71A, FNMA 1050 or similar short form required. Narrative report can be utilized but not required.</li> </ul> </li> <li>• 2-8 Mixed Use:                             <ul style="list-style-type: none"> <li>✓ General Purpose Commercial Form required. (i.e., GP Commercial Summary Form available from CoreLogic a la mode)</li> </ul> </li> <li>• The following attachments are required for all 5-8 Residential and 2-8 Mixed Use appraisals reports:                             <ul style="list-style-type: none"> <li>✓ Rent Roll</li> <li>✓ Income and Expense Statement</li> <li>✓ Photos of subject including exterior/interior and street scene</li> <li>✓ Aerial photo</li> <li>✓ Sketch or floor plan of typical units</li> <li>✓ Map</li> <li>✓ Plot plan or survey</li> <li>✓ Appraiser qualifications</li> </ul> </li> </ul>
<b>Appraisal Review:</b>	<ul style="list-style-type: none"> <li>• A commercial BPO required for all loans.</li> <li>• In Pennsylvania, a commercial evaluation product is used instead of a commercial BPO.</li> </ul>
<b>Properties Listed for Sale:</b>	<ul style="list-style-type: none"> <li>• To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before application date.</li> <li>• The borrower must confirm in writing the reason for the prior listing .</li> <li>• For cash-out refinances, 6 months seasoning from listing contract expiration date to application date is required.                             <ul style="list-style-type: none"> <li>✓ A listing expiration of less than 6 months is permitted with the addition of a prepayment penalty.</li> </ul> </li> <li>• The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term and cash-out transactions.</li> </ul>

**VESTING TO A BUSINESS ENTITY**

<p><b>General Requirements:</b></p>	<ul style="list-style-type: none"> <li>• Investment Property Only.</li> <li>• Business purpose and activities are limited to ownership and management of real estate.</li> <li>• Entity limited to a maximum of 4 owners (aka members, partners, or shareholders)</li> <li>• Multi-level entity structures are allowed subject to entity documentation requirements met for all entities.</li> <li>• Entity must be domiciled in a U.S. State.</li> <li>• Mandatory in the following states if the broker doesn't have an active NMLS license.             <ul style="list-style-type: none"> <li>✓ FL, GA, IA, KS, MT, NE, NJ, TN, &amp; VA.</li> </ul> </li> </ul>
<p><b>Borrowers:</b></p>	<ul style="list-style-type: none"> <li>• Any combination of member(s)/managers representing a cumulative total of at least 25% entity ownership must be borrowers on the subject transaction.</li> </ul>
<p><b>Personal Guarantee:</b></p>	<ul style="list-style-type: none"> <li>• Personal Guaranties must be signed at closing by all entity member(s)/manager(s) acting as a borrower on the subject transaction.</li> <li>• Personal Guaranties in community property states must be accompanied with a Spousal Consent to Pledge form.</li> </ul>
<p><b>Entity Documents:</b></p>	<ul style="list-style-type: none"> <li>• LLC documentation requirements:             <ul style="list-style-type: none"> <li>✓ Entity articles of organization or partnership (or equivalent)</li> <li>✓ Evidence of good standing for the state in which the entity was formed (e.g., Certificate, screen shot from state website)</li> <li>✓ Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization)                 <ul style="list-style-type: none"> <li>○ If not available for a single member LLC, a <a href="#">Single Member Limited Liability Company Borrowing Certificate</a> is required.</li> </ul> </li> <li>✓ Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)</li> <li>✓ EIN/Tax Identification Number                 <ul style="list-style-type: none"> <li>○ Single member LLC may use EIN or the guarantor social security number</li> <li>○ Multi-member LLCs require an EIN</li> </ul> </li> </ul> </li> <li>• Corporation documentation requirements:             <ul style="list-style-type: none"> <li>✓ Filed Certificate/Articles of Incorporation &amp; By-Laws or equivalent.                 <ul style="list-style-type: none"> <li>○ Must include a list of owners and ownership percentages.</li> <li>○ Must support the borrower(s) authorization to execute documents on behalf of the entity.</li> </ul> </li> <li>✓ Amendments if applicable.</li> <li>✓ Certificate of Good Standing from the state in which the entity was formed.</li> <li>✓ EIN / Tax Identification Number</li> <li>✓ Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation</li> <li>✓ Receipt of current year franchise tax payment or clear search</li> </ul> </li> <li>• Partnership documentation requirements:             <ul style="list-style-type: none"> <li>✓ Filed Partnership Agreement.                 <ul style="list-style-type: none"> <li>○ Must include a list of owners and ownership percentages.</li> <li>○ Must support the borrower(s) authorization to execute documents on behalf of the entity.</li> </ul> </li> <li>✓ Amendments if applicable.</li> <li>✓ Certificate of Good Standing from the state in which the entity was formed.</li> <li>✓ EIN / Tax Identification Number.</li> </ul> </li> </ul>

**MISCELLANEOUS**

<p><b>Commercial General Liability Insurance:</b></p>	<ul style="list-style-type: none"> <li>• Commercial General Liability Insurance for 2-8 Mixed Use Properties is required in addition to Hazard Insurance.</li> <li>• Policy must protect against claims for personal injury, bodily injury, death, or property damage occurring upon, in or about any property.</li> <li>• Such insurance to be:             <ul style="list-style-type: none"> <li>✓ Per Occurrence Minimum Coverage: \$1,000,000.</li> <li>✓ Aggregate Coverage: \$2,000,000.</li> <li>✓ At least as broad as Insurance Services Office’s (ISO) policy form CG 00 01.</li> </ul> </li> </ul>
<p><b>Prepayment Penalty:</b></p>	<ul style="list-style-type: none"> <li>• 3%/2%/1%</li> <li>• 3 years standard term.</li> <li>• State Overlays:             <ul style="list-style-type: none"> <li>✓ AK: Not Allowed</li> <li>✓ IL: Not allowed on loans vested to individuals</li> <li>✓ KS: Not Allowed</li> <li>✓ MI: Not Allowed</li> <li>✓ MN: Not Allowed</li> <li>✓ MS: only declining prepayment penalty structures allowed</li> <li>✓ NJ: not allowed on loans vested to individuals</li> <li>✓ NM: Not Allowed</li> <li>✓ OH: Not Allowed</li> <li>✓ PA: not allowed on loan amounts &lt; \$312,159</li> <li>✓ RI: Not Allowed</li> </ul> </li> </ul>

**ELIGIBLE STATES & LICENSE REQUIREMENTS**

<p><b>ACC Licensed States:</b></p>	<ul style="list-style-type: none"> <li>• AL, AR, AZ, CA, CO, CT, DE, DC, FL, GA, ID, IL, IN, KS, KY, LA, MD, MI, MN, MS, NC, NJ, NM, NV, OH, OK, OR, PA, SC, TN, TX, UT, VA &amp; WA</li> </ul>
<p><b>Expanded eligibility for Non-Licensed Originators:</b></p>	<p><b>State license not required</b></p> <ul style="list-style-type: none"> <li>• All Title Vesting Types:             <ul style="list-style-type: none"> <li>✓ AK, AL, AR, CO, CT, DC, DE, HI, IL, IN, KY, LA, MA, MD, ME, MO, MS, NH, NM, OH, OK, PA, SC, TX, WA, WI, WV, &amp; WY</li> </ul> </li> <li>• Business Entity Title Vesting Only:             <ul style="list-style-type: none"> <li>✓ FL, GA, IA, KS, MT, NE, NJ, TN, &amp; VA</li> </ul> </li> </ul> <p><b>Real Estate Broker State license required</b></p> <ul style="list-style-type: none"> <li>• All Title Vesting Types:             <ul style="list-style-type: none"> <li>✓ CA, MI, MN</li> </ul> </li> </ul>