



The Science of Doing Non-QM Right!™

PRIME

Effective 8/1/2024

| | | | PRIMARY RESIDENCE | | | SECOND HOME | | | INVESTMENT PROPERTY | | |
|---------------|------|----------|-------------------|-----------|----------|-------------|-----------|----------|---------------------|-----------|----------|
| Loan Amount | FICO | Reserves | Purchase | Rate Term | Cash Out | Purchase | Rate Term | Cash Out | Purchase | Rate Term | Cash Out |
| ≤ \$1,000,000 | 740 | 6 Mos | 90% | 90% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 700 | 6 Mos | 90% | 85% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 680 | 6 Mos | 90% | 85% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 660 | 6 Mos | 80% | 80% | 75% | 80% | 80% | 75% | 80% | 80% | 75% |
| ≤ \$1,500,000 | 740 | 6 Mos | 90% | 90% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 700 | 6 Mos | 90% | 85% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 680 | 6 Mos | 85% | 85% | 75% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 660 | 6 Mos | 80% | 80% | 75% | 80% | 75% | 75% | 80% | 75% | 75% |
| ≤ \$2,000,000 | 720 | 6 Mos | 85% | 80% | 80% | 85% | 80% | 75% | 85% | 80% | 75% |
| | 700 | 6 Mos | 85% | 80% | 70% | 85% | 75% | 75% | 85% | 75% | 75% |
| | 680 | 6 Mos | 80% | 80% | 70% | 80% | 75% | 70% | 80% | 75% | 70% |
| | 660 | 12 Mos | 75% | 70% | 65% | 75% | 70% | 65% | 75% | 70% | 65% |
| ≤ \$2,500,000 | 720 | 9 Mos | 80% | 80% | 75% | 80% | 75% | 75% | 80% | 75% | 75% |
| | 700 | 9 Mos | 75% | 75% | 70% | 75% | 70% | 65% | 75% | 70% | 65% |
| | 680 | 9 Mos | 75% | 75% | 65% | 75% | 70% | 65% | 75% | 70% | 65% |
| | 660 | 12 Mos | 70% | 65% | 65% | 70% | 65% | 65% | 70% | 65% | 65% |
| ≤ \$3,000,000 | 720 | 12 Mos | 75% | 75% | 70% | 70% | 70% | 65% | 70% | 70% | 65% |
| | 700 | 12 Mos | 75% | 70% | 65% | 70% | 70% | 65% | 70% | 70% | 65% |
| | 680 | 12 Mos | 70% | 65% | 65% | | | | | | |
| ≤ \$3,500,000 | 720 | 12 Mos | 70% | 70% | | | | | | | |
| | 700 | 12 Mos | 70% | 70% | | | | | | | |
| ≤ \$4,000,000 | 720 | 12 Mos | 70% | 65% | | | | | | | |

See next page for [OVERLAYS](#), [PROGRAM PARAMETERS](#) and [LINKS TO CONTENT](#)

| PROGRAM PARAMETERS | |
|--|--|
| Minimum Loan Amount | <ul style="list-style-type: none"> • \$150,000 |
| Minimum Loan Amount IL Counties of: Cook, Kane, Peoria & Will | <ul style="list-style-type: none"> • \$250,000 Primary Residence or Second Home • \$150,000 Investment Property |
| Maximum Cash Out | <ul style="list-style-type: none"> • Unlimited |
| Maximum DTI | <ul style="list-style-type: none"> • 50% • 55% when all requirements are met: <ul style="list-style-type: none"> ✓ 2 Years Full Doc ✓ Primary Residence Only ✓ Min residual income \$3,500 ✓ Max LTV/CLTV 80% ✓ Minimum 12-months reserves ✓ First Time Home Buyer not eligible |
| Minimum Residual Income | <ul style="list-style-type: none"> • \$2,500 |
| Housing History | <ul style="list-style-type: none"> • 1x30x12 Months |
| Bankruptcy & Housing Event Seasoning | <ul style="list-style-type: none"> • 48 Months |
| Installment & Revolving History | <ul style="list-style-type: none"> • 0x60x12 |

| LINKS TO CONTENT | |
|-------------------------------------|--|
| Credit Requirements | Vesting to Business Entity |
| Borrowers | Miscellaneous |
| Assets | Eligible States & License Requirements |
| Subject Property | |

| AVAILABLE INCOME DOC TYPES |
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| <ul style="list-style-type: none"> • Wage Earner: <ul style="list-style-type: none"> ✓ Full Doc • Self Employed: <ul style="list-style-type: none"> ✓ Full Doc ✓ Alt Doc Bank Statements ✓ Alt Doc 1099 ✓ Alt Doc P&L Only • Asset Depletion • Full Doc & Alt Doc are available for 12- or 24-month options with pricing implications. |

| OVERLAYS | |
|--|---|
| Alt Doc - P&L Only | <ul style="list-style-type: none"> • 80% LTV Purch • 70% LTV Refi |
| Alt Doc - Asset Depletion | <ul style="list-style-type: none"> • 660 minimum qualification score |
| Declining Market per Appraisal | <ul style="list-style-type: none"> • 85% LTV Purch • 80% LTV Refi • \$2,000,000 Max Loan Amt |
| Non-Warrantable Condos | <ul style="list-style-type: none"> • 85% LTV |
| 2-4 Unit | <ul style="list-style-type: none"> • 85% LTV |
| Texas Cash-Out 50(a)(6) | <ul style="list-style-type: none"> • 80% LTV |
| Condotel | <ul style="list-style-type: none"> • 85% LTV • \$2,500,000 Max Loan Amount |
| Non-Perm Resident Alien, Asylum & DACA Recipients | <ul style="list-style-type: none"> • 80% LTV • 24-month Income Documentation Only |

CREDIT REQUIREMENTS

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| <p>Qualifying Credit Score:</p> | <ul style="list-style-type: none"> • Primary wage earner must have at least 2 scores and is used to determine the overall loan qualifying credit score. <ul style="list-style-type: none"> ✓ If three scores are provided, use middle score ✓ If two scores are provided, use lowest score ✓ If one score is provided, the borrower is not eligible • Each additional borrower must have at least one score. <ul style="list-style-type: none"> ✓ If three scores are provided, at least one must be 620+ ✓ If two scores are provided, at least one must be 620+ ✓ If one score is provided, it must be 620+ • When qualifying income is equal for all borrowers the highest representative score is used to determine the loan qualifying score. • For Asset Depletion doc type, the lowest overall borrower representative score is used to determine the loan qualifying score. |
| <p>Tradelines:</p> | <ul style="list-style-type: none"> • Tradeline requirement based on primary wage earner. • Borrowers with 3 credit scores: <ul style="list-style-type: none"> ✓ No minimum tradelines required • Borrowers with 2 credit scores: <ul style="list-style-type: none"> ✓ 3 tradelines reporting for 12+ months with activity in the last 12 months; OR ✓ 2 tradelines reporting for 24+ months with activity in the last 12 months; OR ✓ 1 mortgage or installment tradeline reporting for 36+ months with activity in the last 12 months . • To qualify as a valid tradeline, the following requirements apply: <ul style="list-style-type: none"> ✓ 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.) ✓ Must have activity in the past 12 months and may be open or closed. ✓ Max 0 x 60 x 12. • 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. • Student loans can be counted as tradelines if they are in repayment and are not deferred. • Insufficient tradelines and non-traditional credit is not allowed. Each borrower must have a valid and usable score. |
| <p>Housing Events:</p> | <ul style="list-style-type: none"> • A Housing Event is any one of the following events listed below: <ul style="list-style-type: none"> ✓ Foreclosure, Deed-in-Lieu, or Short Sale measured from the date of completed sale or final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining. ✓ 1x120 mortgage late measured from the date the mortgage was brought current. ✓ Non-COVID Related Modification measured from the date the modification was executed which resulted in: <ul style="list-style-type: none"> • Forgiveness of a portion of principal and/or interest on either the first or second mortgage. • Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness. • Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage. • Conversion of any portion of the original mortgage debt from secured to unsecured. • If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete. |

CREDIT REQUIREMENTS (continued)

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| <p>Housing History:</p> | <ul style="list-style-type: none"> • A 12-month mortgage history is required for all financed properties owned by the borrower. • A 12-month rental history is required when the borrower is renting their current primary residence. • 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. • 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. • A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history. • 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. • Borrowers who live rent-free are allowed with the following restrictions: <ul style="list-style-type: none"> ✓ 3 additional months reserves required. ✓ 10% minimum borrower contribution. ✓ Borrower(s) who own their primary residence free and clear are not considered living rent-free. • Borrowers unable to document a complete 12-month housing history are allowed with the following restrictions: <ul style="list-style-type: none"> ✓ 3 additional months reserves required. ✓ 10% minimum borrower contribution. ✓ Any available portion of a 12-month housing history must be obtained and paid as agreed. |
| <p>Charge-Offs and Collections:</p> | <ul style="list-style-type: none"> • The following accounts may remain open: <ul style="list-style-type: none"> ✓ Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000 ✓ Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence ✓ All medical collections • Collection and charge-off balances exceeding the amounts listed above must be paid in full. |

CREDIT REQUIREMENTS *(continued)*

Judgments and Tax Liens:

- All judgments or liens affecting title must be paid.
- Written explanation from the borrower for any judgments, garnishments, or liens less than 10 years old is required.
- Active court-ordered judgments may remain open when one of the following options are met:
 - ✓ The amount is the lesser of \$5,000 per occurrence or 2% of the loan amount: OR
 - ✓ The borrower is currently in a repayment agreement with the creditor. All of the following requirements must be met:
 - A copy of the repayment agreement is obtained,
 - A minimum of 3 months has elapsed on the plan,
 - Evidence of timely payments for the most recent 3 months is provided, and
 - The maximum payment required under the plan is included in the DTI.
- Outstanding state and federal tax liens or delinquent obligations may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All the following requirements must be met:
 - ✓ A copy of the repayment agreement is obtained,
 - ✓ A minimum of 3 months has elapsed on the plan,
 - ✓ Evidence of timely payments for the most recent 3 months is provided,
 - ✓ The maximum payment required under the plan is included in the DTI, and
 - ✓ The title company must provide written confirmation confirming they are aware of the outstanding tax lien, and there is no impact to first lien position.

BORROWERS

| Eligibility: | Borrower Type | Eligible? | Borrower Type | Eligible? |
|------------------------------|---|------------|--------------------------------|------------------|
| | | US Citizen | Yes | Foreign National |
| | 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 | | |
| First Time Investor: | <ul style="list-style-type: none"> • Defined as: Borrower(s) who have not owned and managed commercial or non-owner occupied residential real estate in the United States for at least 1 year in the last 3 years. | | | |
| First Time Homebuyer: | <ul style="list-style-type: none"> • Defined as: Borrower(s) who have not owned at least one residential property in the United States in the last 3 years. • Primary Residence and Second Homes Only. | | | |

BORROWERS (continued)

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| <p>Non-Occupant Co-Borrowers:</p> | <ul style="list-style-type: none"> • Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property. • Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s). • Cash out transactions not allowed. • The non-occupant co-borrower must be included on title of the subject property. • Non-Permanent Resident Aliens, Asylum & DACA: Not Permitted. |
| <p>Perm Resident Alien:</p> | <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ✓ 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.” |
| <p>Non-Perm Resident Alien:</p> | <ul style="list-style-type: none"> • Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. • 2 years US residency & employment history required, with valid Social Security Number and US credit. • Validation that borrower has employment authorization is required with one of the following: <ul style="list-style-type: none"> ✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card. <ul style="list-style-type: none"> ▪ The EAD may not expire within 6 months of loan application date. (If the EAD will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower’s continued employment and continued EAD renewal.) ▪ 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. |

BORROWERS (continued)

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| <p>Asylum:</p> | <ul style="list-style-type: none"> • Individuals granted asylum are eligible for financing. • 2 years US residency & employment history required, with valid Social Security Number and US credit. • Validation that borrower has employment authorization is required with one of the following: <ul style="list-style-type: none"> ✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card referencing Category C08. <ul style="list-style-type: none"> ▪ The EAD may not expire within 6 months of loan application date. (If the EAD will expire within 6 months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower’s continued employment and continued EAD renewal.) ▪ 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. |
| <p>DACA:</p> | <ul style="list-style-type: none"> • 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. • 2 years US residency & employment history required, with valid Social Security Number and US credit. • Validation that borrower has employment authorization is required with one of the following: <ul style="list-style-type: none"> ✓ A valid current Form I-766 Employment Authorization Document (EAD) work permit/card referencing Category C33. <ul style="list-style-type: none"> ▪ 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. ✓ Copy of borrower’s passport is not required. |

ASSETS

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| <p>Asset Verification:</p> | <ul style="list-style-type: none"> • Assets must be seasoned for 60 days or sourced and verified with most recent 2-months account statements, or most recent quarterly account statement, indicating opening and closing balances, and reflecting a consecutive 60 days of asset verification. |
| <p>Large Deposits:</p> | <ul style="list-style-type: none"> • Defined as any single deposit that represents greater than 100% of the borrower’s qualifying monthly income. • Refinances: Not sourced. • Purchases: Sourced as follows: <ul style="list-style-type: none"> ✓ If personal accounts are used for assets, large deposits as defined above must be sourced. ✓ If business accounts are used for assets and income, large deposits as defined above must be sourced. ✓ If business accounts are used for assets but not used for income, large deposits as defined above do not need to be sourced. • Unsourced assets, assets seasoned for less than 30 days, and unexplained deposits exceeding 100% of the borrower’s qualifying monthly income are allowed if the total amount is less than or equal to 10% of the total funds required to close. |
| <p>Seller Concessions:</p> | <ul style="list-style-type: none"> • Percentage is based on of the lesser of the property’s sales price or appraised value and may be applied towards the buyer’s closing costs, prepaid expenses, discount points, and other financing concessions. • Primary and Second Home: 6% • Investment Property: 2% |

ASSETS (continued)

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| <p>Borrower Contribution:</p> | <ul style="list-style-type: none"> • Primary with verified housing history: 5% of sales price. • Primary with unverified housing history: 10% of sales price. • Second Homes: 5% of sales price. • Investment Property: 10% of sales price. • Gift of Equity transaction with verified housing history: No Minimum. • Gift of Equity transaction without verified housing history: 10% of sales price |
| <p>Gift Funds:</p> | <ul style="list-style-type: none"> • US Citizens & Permanent Resident Aliens: Permitted after the borrower has documented the minimum required borrower contribution. • Non-Permanent Resident Aliens, Asylum & DACA: Not Permitted. • May be used for down payment, closing costs and reserves. • A signed gift letter is required to provide all of the following information: <ul style="list-style-type: none"> ✓ Donor's name, address, phone, and relationship to borrower (donor must be a relative); and ✓ Dollar amount of gift; and ✓ Donor's statement that no repayment is expected. • Sufficient funds to cover the gift must be verified as either currently in the donor's account or evidence of transfer into the borrower's account. Acceptable documentation includes any of the following: <ul style="list-style-type: none"> ✓ Copy of the donor's check and the borrower's deposit slip ✓ Copy of the donor's withdrawal slip and the borrower's deposit slip ✓ Copy of the donor's check to the closing agent ✓ Evidence of wire transfer from donor to borrower ✓ Settlement statement showing receipt of the donor's check • When the funds are not transferred prior to closing, it must be documented that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, money order, or wire transfer. |
| <p>Gift of Equity:</p> | <ul style="list-style-type: none"> • Permitted for Primary Residence or Second Home non-arm's length transactions. • The following requirements apply: <ul style="list-style-type: none"> ✓ Gift of equity must be from an immediate family member ✓ Six months of reserves required of borrower's own funds is required ✓ Non-arm's length criteria must be met ✓ Signed gift letter is required ✓ Gift of equity must be listed on the settlement statement |
| <p>Reserves:</p> | <ul style="list-style-type: none"> • Reserves are measured by the number of months of housing expense a borrower could pay using his or her financial assets. • The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves. • Cash out proceeds can be used for reserve requirements. • Second Home or Investment Property transactions require 2 months of additional reserves for each financed property. |
| <p>Spousal Accounts:</p> | <ul style="list-style-type: none"> • Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the standard seasoning requirements. • Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements. |

FULL DOCUMENTATION

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| Wage Earner: | <ul style="list-style-type: none"> • YTD Paystubs • 1- or 2-Years W-2s • 1- or 2-Years IRS Wage & Income Transcripts • Verbal VOE within 10 business days of closing • See Underwriting Guidelines for additional information. |
| Self Employed: | <ul style="list-style-type: none"> • Self Employed for a minimum of 2 years and the business must be in existence for at least 2 years. • 1- or 2-Years Personal Tax Returns • 1- or 2-Years Business Tax Returns (if applicable) • YTD Borrower Prepared P&L • 1- or 2-Years IRS 1040 Transcripts • Business Return Transcripts are not required • Verification of business existence within 10 business days of closing. • See Underwriting Guidelines for additional information. |

ASSET DEPLETION

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|------------------------------|--|
| General Requirements: | <ul style="list-style-type: none"> • Asset Depletion may be used as the sole source of income for loan qualification or to supplement other income sources. • Minimum eligible assets is the lower of \$1,000,000 or 150% of the loan balance. When asset depletion is being used to supplement other income sources, these minimum asset requirements are waived. • All individuals listed on the asset account(s) must be on the Note and Mortgage. • Assets must be seasoned 120-days in a U.S. bank account. • Assets considered for this program must be verified with most recent four (4) monthly account statements, quarterly statements, or a VOD. • Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds. |
| Eligible Assets: | <ul style="list-style-type: none"> • Checking, Savings, and Money Market Accounts: 100% • Stocks, Bonds, and Mutual Funds: 70% • Retirement Accounts & Borrower at least 59.5 years old: 70% • Retirement Accounts & Borrower less than 59.5 years old: 60% • Eligible trust assets include: <ul style="list-style-type: none"> ✓ Assets held in a revocable trust where the trustee to the trust is the borrower. ✓ Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust. ✓ Based upon the asset held in the trust, the above asset percentages apply. |
| Ineligible Assets: | <ul style="list-style-type: none"> • Cryptocurrency • Equity in Real Estate • Privately traded or restricted/non-vested stocks • Any asset which produces income already included in the income calculation • Any assets held in the name of a business • Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower • Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower |
| Qualifying Income: | <ul style="list-style-type: none"> • Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 60. |

BANK STATEMENT DOCUMENTATION

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|------------------------------------|---|
| General Requirements: | <ul style="list-style-type: none"> • Self Employed for a minimum of 2 years. • Business being used to source income must be in existence for a minimum of 2 years. • See Underwriting Guidelines for additional information. |
| Documentation: | <ul style="list-style-type: none"> • ACC Self-Employed Business Narrative form. • 12 or 24 Months consecutive personal or business bank statements. |
| Statement Types: | <ul style="list-style-type: none"> • The first step in evaluating bank statements is determining which of these three classifications applies: • <u>Personal:</u> <ul style="list-style-type: none"> ✓ Used exclusively for personal banking and reflects the name of the borrower as completed on the URLA. ✓ Evidence of business receipt and expense activity is not permitted in personal bank accounts. Evidence of such activity will require the loan to be qualified as a Co-Mingled Bank Statement Documentation loan. ✓ In addition to 12 or 24 months consecutive personal statements, 2 months BUSINESS bank statements are required. The 2 months business statements must reflect activity to support business operations and transfers to the personal account being used for qualification. An inability to meet this requirement will require the loan to be qualified as a Co-Mingled Bank Statement Documentation loan. • <u>Co-Mingled:</u> <ul style="list-style-type: none"> ✓ A co-mingled bank account is a personal account used by a borrower for both business and personal use. ✓ Although the statement reflects the borrower’s name, these are treated as a business statements for qualification purposes. • <u>Business:</u> <ul style="list-style-type: none"> ✓ A business bank account is used for ongoing operations of the business and reflects the name of the business as completed on the URLA. |
| Minimum Business Ownership: | <ul style="list-style-type: none"> • <u>Personal & Business:</u> <ul style="list-style-type: none"> ✓ 25% minimum borrower ownership percentage. • <u>Co-Mingled:</u> <ul style="list-style-type: none"> ✓ Borrower must be sole owner of the business (borrower and spouse with combined 100% ownership eligible). |
| Jointly Owned Accounts: | <ul style="list-style-type: none"> • <u>Personal & Co-Mingled::</u> <ul style="list-style-type: none"> ✓ If the account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced. • <u>Business:</u> <ul style="list-style-type: none"> ✓ All other business owners who are not borrowers on the loan must provide a signed and dated letter acknowledging the borrower’s access to the business account for loan qualification. |

BANK STATEMENT DOCUMENTATION (continued)

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| <p>Expense Factor:</p> | <ul style="list-style-type: none"> • Personal: <ul style="list-style-type: none"> ✓ An expense factor is not applied to files meeting the definition of a personal bank statement. • Co-Mingled & Business: <ul style="list-style-type: none"> ✓ A standard 50% expense factor will be applied to the total of eligible deposits. ✓ If necessary for qualification, an expense factor letter may be used to determine qualifying income from one of these three tax preparer license types: <ul style="list-style-type: none"> ▪ Certified Public Accountant (CPA), OR ▪ IRS Enrolled Agent (EA), OR ▪ California Tax Education Council (CTEC). ✓ Expense Factor Letters prepared by individuals with a Preparer Tax Identification Number (PTIN) are not acceptable. ✓ Minimum expense factor percentage is 10%. |
| <p>Qualifying Income:</p> | <ul style="list-style-type: none"> • Gross qualifying income is calculated using total deposits from the statements, minus any inconsistent or large deposits not justified. • Net qualifying income is calculated using gross income multiplied by the borrower’s ownership percentage, then reduced by the applicable expense factor. |
| <p>Employment Verification – Entity Owner:</p> | <ul style="list-style-type: none"> • Classified as borrowers who own a named business entity which is registered with the applicable state. • The exact entity name must be listed on the loan application as the current employer. • Verification of the entity’s existence and borrower’s ownership percentage must be documented with one of the following: <ul style="list-style-type: none"> ✓ Entity documents such as an Operating Agreement, or equivalent, based on formation type, OR ✓ Tax Preparer letter prepared by one of these three license types: <ul style="list-style-type: none"> ▪ Certified Public Accountant (CPA), OR ▪ IRS Enrolled Agent (EA), OR ▪ California Tax Education Council (CTEC). ✓ Tax Preparer letters prepared by individuals with a Preparer Tax Identification Number (PTIN) are not acceptable as singular documentation in lieu of entity documents. When entity documents are also provided, a tax preparer letter from a PTIN may be included in the file as additional supporting documentation only. • ACC will perform an independent verification of the business existence within 10 business days of closing. |
| <p>Employment Verification – Sole Proprietor:</p> | <ul style="list-style-type: none"> • Classified as borrowers who do not own a named business entity. This can include individuals who work for themselves providing goods or services independently, or individuals who work as contractors for someone else’s business. • The borrower’s name should be listed on the loan application as the current employer followed by Sole Proprietor. The position field can be used for additional detail. Some examples include “Landscaping” or “Contractor for ___”. • Verification of the borrower’s self employment and ownership percentage must be documented with the following: <ul style="list-style-type: none"> ✓ Tax Preparer letter prepared by one of these three license types: <ul style="list-style-type: none"> ▪ Certified Public Accountant (CPA), OR ▪ IRS Enrolled Agent (EA), OR ▪ California Tax Education Council (CTEC). ✓ Tax Preparer letters prepared by individuals with a Preparer Tax Identification Number (PTIN) are not acceptable. • ACC will perform an independent verification of the business existence within 10 business days of closing. |

P&L ONLY DOCUMENTATION

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| General Requirements: | <ul style="list-style-type: none"> • Self Employed for a minimum of 2 years. • Business being used to source income must be in existence for a minimum of 2 years. • 25% minimum borrower ownership percentage. |
| Documentation: | <ul style="list-style-type: none"> • ACC Self-Employed Business Narrative form. • A fully completed ACC P&L Tax Preparer Packet containing: <ul style="list-style-type: none"> ✓ Tax Preparer Questionnaire ✓ Profit & Loss Statement • Most recent 2 months bank statements. |
| Tax Preparer Packet: | <ul style="list-style-type: none"> • Must be prepared by a tax preparer carrying one of these three license types: <ul style="list-style-type: none"> ✓ Certified Public Accountant (CPA), OR ✓ IRS Enrolled Agent (EA), OR ✓ California Tax Education Council (CTEC). • Packets prepared by individuals with a Preparer Tax Identification Number (PTIN) are not acceptable. • The tax preparer must have reviewed and/or filed the borrower's self-employed tax returns for a minimum of 1 year. • Documentation showing the tax preparer is currently licensed is required. • The Profit & Loss Statement must also be signed by the borrower at or before closing. • ACC will complete the P&L Verification Form prior to closing. |
| Qualifying Income: | <ul style="list-style-type: none"> • Most recent 2 months bank statements average deposits must support the P&L Gross income within a 35% tolerance. • If validated within 35%, the monthly net income average from the P&L may be used for qualifying income. |

1099 DOCUMENTATION

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| General Requirements: | <ul style="list-style-type: none"> • Permitted for individual(s) earning 100% commission, independent contractors and/or sole proprietors who receive IRS Form 1099. • Minimum 2-year self-employment history is required (e.g., 1099 income). |
| Documentation: | <ul style="list-style-type: none"> • 1-year or 2-years 1099s • Current YTD earnings must be documented to support the ongoing receipt of 1099 income with one of the following: <ul style="list-style-type: none"> ✓ YTD bank statements ✓ Check stub(s) with YTD totals • ACC Self-Employed Business Narrative form. • When utilizing 1-year 1099 option, verification that the borrower has been self employed for a minimum of 2 years with a Tax Preparer letter prepared by a Certified Public Accountant, an IRS Enrolled Agent, or a CTEC registered tax preparer. • Tax returns and 4506-C transcripts are not required. |
| Qualifying Income: | <ul style="list-style-type: none"> • A standard 10% expense factor will be applied. • Qualifying income is the 12 or 24 monthly 1099 average minus the expense factor . • The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings. |

| SUBJECT PROPERTY | | | | |
|------------------------------------|---|--------------------------|--|----------------------------|
| Eligibility: | Property Type | Eligible? | Property Type | Eligible? |
| | | SFR Attached or Detached | Yes | Assisted living facilities |
| | PUD Attached or Detached | Yes | Boarding houses or bed/breakfast properties | No |
| | Warrantable Condominium | Yes | Properties with a C5 or C6 condition rating | No |
| | Non-Warrantable Condominium | Yes | Properties with zoning violations | No |
| | Townhomes | Yes | Vacant land or land development properties | No |
| | 2-4 Unit | Yes | Homes on Native American Land (Reservations) | No |
| | Rural Properties | Yes | Hawaii properties in lava zones 1 and/or 2 | No |
| | Log Homes | Yes | Houseboats | No |
| | Modular | Yes | Fractional ownership | No |
| | Condotel | Yes | Agricultural properties (including farms, ranches, or orchards) | No |
| | Manufactured or Mobile homes | No | Properties used for the cultivation, distribution, manufacture, or sale of marijuana | No |
| | Co-op/timeshare hotels | No | Properties not readily accessible by roads that meet local standards | No |
| | Cooperative share loans | No | Properties not suitable for year-round occupancy, regardless of location | No |
| | Dome or geodesic homes | No | | |
| Acreage: | <ul style="list-style-type: none"> • Primary and Second Homes Max 20 Acres • Investment Properties Max 2 Acres | | | |
| Properties Listed for Sale: | <ul style="list-style-type: none"> • 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. • The borrower must confirm in writing the reason for the prior listing and intent to occupy the subject property. • For cash-out refinances, 6 months seasoning from listing contract expiration date to application date is required. <ul style="list-style-type: none"> ✓ A listing expiration of less than 6 months is permitted with the addition of a prepayment penalty on investment properties only. • 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 | | | |

SUBJECT PROPERTY (continued)

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| <p>Appraisal Review:</p> | <ul style="list-style-type: none"> • All loans require an appraisal review product as follows: <ul style="list-style-type: none"> ✓ Loan Amount <= \$2M: FNMA Collateral Underwriter (CU) score of 2.5 or less or a Collateral Desktop Analysis (CDA). ✓ Loan Amount > \$2M: Second 2nd full appraisal. • If the CDA reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. These may not be from the same appraiser or appraisal company as the original report. • If two appraisals are required, the lower of the two values or the purchase price must be used. |
| <p>Appraisal Delivery/Receipt:</p> | <ul style="list-style-type: none"> • Primary Residence Non-HPML, Investment Properties, and Second Homes are exempt. Note, HPML cannot be determined until the rate is locked. <ul style="list-style-type: none"> ✓ Appraisal Waiver of 3-day Delivery will be executed at closing. • Primary Residence HPML transactions are subject to the following. <ul style="list-style-type: none"> ✓ Evidence of appraisal delivery and/or receipt is necessary. ✓ If file contains Proof of Delivery only (not receipt), the soonest the file may close is 6 business days later excluding weekends and holidays. The day delivery occurred is Day One. ✓ If file contains Proof of Receipt, the soonest the file may close is 3 business days later excluding weekends and holidays. The day delivery occurred is Day One. ✓ The file may never close less than 3 business days from borrower receipt, the Appraisal Waiver of 3-day Delivery is not eligible for usage. • Please note this is a Federal regulatory compliance requirement, subsequently exceptions may not be made. |
| <p>Property Flips & HPML Appraisal Rule:</p> | <ul style="list-style-type: none"> • Primary Residence Non-HPML, Investment Properties, and Second Homes are exempt. Note, HPML cannot be determined until the rate is locked. • Primary Residence HPML transactions are subject to the following. • A property is considered a “flip” if either of the following are true: <ul style="list-style-type: none"> ✓ The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement. ✓ The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement. • The acquisition date is the day the seller became the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date. • Time period is measured from the date the seller became legal owner of the property to the date all parties executed the current sales contract. • If the property is a “flip” as defined above, the following additional requirements apply: <ul style="list-style-type: none"> ✓ A second appraisal must be obtained. ✓ A copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements. ✓ The second appraisal must be dated prior to the loan consummation/note date. ✓ The 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. ✓ Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable. |

SUBJECT PROPERTY (continued)

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| <p>Determining LTV:</p> | <ul style="list-style-type: none"> • Purchase – Lesser of appraised value or purchase price. • Rate/Term Refinance – Current appraised value is used. • Cash Out Refinance – Property acquired > 12 months from application date: <ul style="list-style-type: none"> ✓ Current appraised value is used. • Cash Out Refinance – Property acquired 6 - 12 months from application date: <ul style="list-style-type: none"> ✓ Lesser of current appraised value or the previous purchase price plus documented improvements (if any) is used. The purchase settlement statement and any invoices for materials/labor will be required. |
| <p>Non-Arm's Length:</p> | <ul style="list-style-type: none"> • Non-Arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan. • The appraiser must be informed of the relationship and address any impact on market value. • Examples of Non-Arm's length transactions include, but are not limited to, the following: <ul style="list-style-type: none"> ✓ Family member sales. ✓ Renters purchasing from current landlord. ✓ Buyer trading properties with the seller. ✓ Property seller foreclosure bailouts. ✓ Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer. • Non-Arm's length transactions are subject to all the following requirements: <ul style="list-style-type: none"> ✓ Relationship must be fully disclosed. ✓ Borrower to provide a written explanation stating relationship to the seller and reason for purchase. ✓ Borrower to provide a copy of the canceled earnest money check paid to the property seller. ✓ ACC must be satisfied that the transaction makes sense. ✓ All liens on title to be paid in full and reflected on the settlement statement. ✓ Lesser of sales price or current appraised value to be used to calculate the LTV. ✓ Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.) ✓ The borrower may not be an owner of a business entity selling the subject property. • The following additional requirements apply only to family sales: <ul style="list-style-type: none"> ✓ Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable) ✓ Verification that the borrower has not been in title to the property in the past 24 months. |

VESTING TO A BUSINESS ENTITY:

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

MISCELLANEOUS

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| <p>Document Expiration:</p> | <ul style="list-style-type: none"> • Measured to closing date: <ul style="list-style-type: none"> ✓ Assets 60 days ✓ Income 60 days ✓ Appraisal 120 days ✓ ACC Credit Report 120 days ✓ Title Commitment and CPL 120 days |
| <p>Multiple Properties and ACC Exposure:</p> | <ul style="list-style-type: none"> • There is no limit on the number of other properties borrowers may currently have financed. • Multiple investment property transactions for one borrower may proceed as DSCR only. • ACC Mortgage exposure may not exceed \$5M aggregate for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis. |
| <p>Acceptable Vesting Structures:</p> | <ul style="list-style-type: none"> • Acceptable forms of vesting are: <ul style="list-style-type: none"> ✓ Individuals ✓ Joint Tenants ✓ Tenants in Common ✓ Inter Vivos Revocable Trust ✓ Limited Liability Companies, Partnerships, Corporations, and S Corporations (Investment Property Only) • Note: Only individuals can act as borrowers. The other entities listed above relate only to an ownership interest in the subject property. |
| <p>Limited Power of Attorney:</p> | <ul style="list-style-type: none"> • A Limited Power of Attorney (POA) is acceptable when all the following requirements are met: <ul style="list-style-type: none"> ✓ It is specific to the transaction. ✓ It is recorded with the Mortgage/Deed of Trust. ✓ It contains an expiration date. ✓ It is used to execute only the final loan documents. ✓ The Borrower who executed the POA signed the initial 1003. ✓ An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney. ✓ Not eligible for cash-out transactions. ✓ Not eligible for foreign national borrowers. |
| <p>Escrows:</p> | <ul style="list-style-type: none"> • Escrow funds/impound accounts can be waived (except for Flood Insurance Premium) when the following requirements are met: <ul style="list-style-type: none"> ✓ Loan is not HPML ✓ LTV less than 80% ✓ Minimum decision credit score of 720 ✓ Minimum 12-months of reserves • Pricing adjustment may apply, see applicable loan program rate sheet. |

MISCELLANEOUS (continued)

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| <p>Prepayment Penalty:</p> | <ul style="list-style-type: none"> • Investment Property only • 6 Months interest on 80% of original principal balance. • 3 years standard term. • State Overlays: <ul style="list-style-type: none"> ✓ AK: Not Allowed ✓ IL: Not allowed on loans vested to individuals ✓ KS: Not Allowed ✓ MN: Not Allowed ✓ NJ: not allowed on loans vested to individuals ✓ NM: Not Allowed ✓ PA: not allowed on loan amounts < \$312,159 ✓ RI: Not Allowed |
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ELIGIBLE STATES & LICENSE REQUIREMENTS

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| <p>ACC Licensed States:</p> | <ul style="list-style-type: none"> • 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 & WA |
| <p>Expanded eligibility for Non-Licensed Originators Investment Property Only:</p> | <p>State license not required</p> <ul style="list-style-type: none"> • All Title Vesting Types: <ul style="list-style-type: none"> ✓ 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, & WY • Business Entity Title Vesting Only: <ul style="list-style-type: none"> ✓ FL, GA, IA, KS, MT, NE, NJ, TN, & VA <p>Real Estate Broker State license required</p> <ul style="list-style-type: none"> • All Title Vesting Types: <ul style="list-style-type: none"> ✓ CA, MI, MN |