AMERITRUST MORTGAGE CORPORATION

AMERITRUST Diamond FULL

GUIDELINES

Bank Statement / P&L Only / 1099 / Asset Depletion

August 2024

Contents

1.0 INTRODUCTION

AmeriTrust Mortgage Corporation (hereafter referred to as ATM) Credit Guidelines establish standards and criteria in which a loan will be eligible for purchase by ATM. Sellers should use these Guidelines to understand how ATM assesses risk and to understand ATM program specifics and our process flow. While these Guidelines represent sound underwriting principles, Sellers are expected to exercise prudent underwriting as they are the Lenders extending credit to any applicants. If a topic is not addressed within these guidelines, ATM will align with Fannie Mae guidelines.

These Credit Guidelines provide detailed requirements for purchase eligibility, but ATM is not obligated to purchase a loan even if it satisfies these requirements. Compliance with these guides does not create a commitment by ATM to purchase. Further, ATM does not require Sellers to make loans simply because they are eligible for sale to ATM, nor does ATM prohibit sellers from originating loans that are not eligible. ATM has sole discretion to purchase any loans. State and Federal specific regulatory requirements supersede all underwriting guidelines set forth by ATM.

Seller Responsibilities:

ATM Credit Guidelines must be interpreted and applied by the Seller in a manner that complies with the laws and regulations established by the Consumer Financial Protection Bureau (CFPB) and any other applicable laws and regulations. ATM has a no-tolerance policy as it relates to fraud. Sellers should have their own established fraud and identity.

Additional Requirements:

- Deviations from the underwriting guidelines based on compensating factors may require an exception and need to be documented in the loan file.
- Negative Amortization Feature or Equity Participations are not permitted.
- ATM does not purchase loans defined as high-cost mortgages (or equivalent terms) under Federal or state law.
- U.S. Territory loans are not allowed. Properties must be in the United States.
- With respect to each Mortgage Loan, (1) each Mortgagor or Guarantor is a natural person and (2) at the time of origination, the Mortgagor or Guarantor was legally entitled to reside (or legally own for Foreign Nationals) in the United States.
- Occupancy - the Originator gave due consideration, at the time of origination, to information contained within the Mortgage Loan File, to evaluate whether the occupancy status of the related Mortgaged Property as represented by the Mortgagor was reasonable.
- No Mortgage Loan underwritten pursuant to a bank statement income documentation program was underwritten using fewer than twelve consecutive months of bank statements.
- No Mortgage Loan was underwritten utilizing a borrower-prepared profit and loss statement or a borrower-prepared expense letter/statement for purposes of determining income or expenses.
- With respect to any Mortgage Loan underwritten pursuant to a personal bank statement income documentation program either (a) the mortgage file has satisfactory evidence of the existence of a business bank account for the related business or (b) if satisfactory evidence of a business bank account is not provided, the amount of qualifying income for the borrower was determined under the underwriting guidelines applicable to the business bank statement income documentation program

Ability to Repay (ATR):

The Ability-to-Repay (ATR) Rule is the reasonable and good faith determination that a borrower has the ability to repay the loan. Under the rule, the borrower's income, assets, employment, credit history and monthly expenses must be documented, and certain affordability calculations must be performed during the underwriting process. All closed end mortgages secured by a dwelling, regardless of loan purpose, occupancy or lien position are subject to this section.

Lenders are required to make a reasonable, good-faith determination before a loan is closed that the borrower has a reasonable ability to repay a loan. The lender must consider the following eight (8) underwriting factors and include proper underwriting documentation using reasonably reliable third-party records that these factors were properly considered:

- Current or reasonable expected income or assets,
- Current employment status,
- Monthly payment on the loan (calculated on the higher of the introductory rate or fully indexed, rate; the maximum payment scheduled during the first five (5) years),
- Monthly payment on any new or existing secondary financing, including any simultaneous loan that the creditor knows or has reason to know, will be made.
- Monthly payment for mortgage-related obligations, such as property taxes and insurance, HOA dues, and ground rent,
- Current debt obligations, alimony, and child support
- Monthly debt-to-income ratio or residual income, and
- Credit history

NOTE: Sample Ability to Repay Attestation Disclosure is located in section 8.1. UW may attest to the borrower meeting the ATR rules or borrower may sign an attestation.

2.0 ALTERNATIVE DOCUMENTATION

Alternative Documentation may be used to determine qualifying income both alone and in conjunction with other documentation options.

Personal Bank Statements, Business Bank Statements, P&L Only, 1099 Reduced Doc, Asset Depletion & Asset Utilization are considered Alt-Doc from a credit and pricing standpoint. When more than one documentation option is utilized for qualifying, i.e., bank statements together with asset depletion, then the documentation option yielding the highest borrower income will be used to determine pricing. Please see matrices for restrictions.

Qualification is based on several factors including (but not limited to):

- FICO Score
- Debt to Income
- Loan to Value
- Housing Payment History
- Residual Income
- Ownership Seasoning
- Job Stability
- Reserves (PITIA)

3.0 ELIGIBILITY

3.1 ELIGIBLE BORROWERS

All borrowers on loans purchased by ATM will be individual, natural persons.

- U.S. Citizens (as defined by USCIS)
- Permanent Resident Aliens: An individual who is not a U.S. Citizen but maintains legal, permanent residency in the United States. Documentation requirements:
  - Valid and unexpired Permanent Resident Card/"Green Card" (Form I-551) without conditions. For conditional permanent residents, proof of filed Form I-751 required. If any green card expires within the 6 months before closing, proof of a filed Form I-90 is required.
- Non-Permanent Resident Aliens: An individual who is not a U.S. Citizen but lives in the U.S. under the terms of an acceptable visa and/or EAD Card. Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Individuals with diplomatic immunity who are not subject to United States jurisdiction are not eligible. Non-Permanent Resident Aliens must be employed in the U.S. for the last 24 months.
- Documentation requirements:
  - Visa:
    - If expiration is within six months of the loan application and the borrower has not changed employers, a copy of the employer's letter of sponsorship for visa renewal must be provided.
    - If Visa has expired at closing (date the Note is signed), a filed USCIS Form I-797 is required.
    - For residents of Canada or Mexico, H1-B status stamped on an unexpired passport is acceptable.
  - EAD Card:
    - If expiration is within six months of the application, the borrower must show evidence that they have applied for an extension or provide a letter from the employer indicating they will continue to sponsor their employment.
    - The EAD Card must be unexpired at closing (date the Note is signed).

Non-permanent resident borrowers must document legal residency status by meeting the documentation requirements below. Borrowers who cannot meet the requirements below are not eligible.

SEE FOLLOWING PAGES FOR VISA AND EAD ELIGIBILITY MATRICES

VISA ELIGIBILITY MATRIX				
Visa Category	**Visa Type**	**Brief Description**	**Documentation Required**	**EAD Code**
Trade Treaty Work Visa	E-1	Treaty trader - employee, spouse, and/or child	Visa and EAD	C02
	E-2	Treaty investor - employee, spouse, and/or child	Visa	
	E-3	Specialty occupation		
	E-1, E-2, or E-3D	Spouse of E-1, E-2 or E-3	Visa and EAD	A17/C12
Temporary Employment Visa	H-1B	Specialty Occupation	Visa	
	H-1B1	Specialty Occupation		
	H-1B2	Specialty Occupation - U.S. Department of Defense		
	H-1B3	Fashion model of distinguished merit and ability		
	H-1C	Registered nurse - U.S. Department of Labor		
	H-4	Spouse or child of H-1B	Visa and EAD	C26
Media Work Visa	I	Foreign media outlet (press, radio, film, or other)	Visa	
Nonimmigrant Visa for Fiancé(e)	K-1	Fiancé(e) - purpose of marriage	Visa and EAD	A06
Nonimmigrant Visa for Spouse	K-3	Spouse of a U.S. citizen	Visa and EAD	A09
Temporary Employment Visa	L-1A	Intracompany transfer - managerial or executive	Visa	
	L-1B	Intracompany transfer - specialized knowledge		
	L-2	Spouse or child of L-1A or L-1B	Visa and EAD	A18
Temporary Employment Visa	O-1A/B	Extraordinary ability in analysis, business, education, entertainment	Visa	
	O-2	Assistant to O-1		
	P-1A	Internationally recognized athlete		
NAFTA Professional Workers Visa	TN	Professional under NAFTA	Visa	
Spouse / Child of Permanent Resident Alien	V-1	Spouse of a Legal Permanent Resident (LPR) who is the principal beneficiary of a family-based petition (Form I- 130) which was filed prior to December 21, 2000, and has been pending for at least three years.	Visa and EAD	A15
	V-2	Child of a Lawful Permanent Resident (LPR) who is the principal beneficiary of a family-based visa petition (Form I-130) that was filed prior to December 21, 2000, and has been pending for at least three years.		
	V-3	The derivative child of a V-1 or V-2.		

EAD ELIGIBILITY MATRIX	
Certain borrowers may hold an EAD which does not require a corresponding Visa type. **Borrower's holding the EADs noted below are eligible without a Visa.**	
EAD Code	**EAD Code Definition**
C09	Adjustment of status applicant
C10	• Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants Applicant for suspension of deportation • Applicant for cancellation of removal
C24	LIFE legalization applicant
C31	• Principal beneficiary of an approved VAWA self-petition • Qualified child of a beneficiary of an approved VAWA self-petition
C33	Deferred Action for Childhood Arrivals

3.2 INELIGIBLE BORROWERS

- Foreign Nationals, and all Foreign Nationals as defined by U.S. Citizenship and Immigration Services (USCIS)
- All Persons with Diplomatic Immunity, as defined by the U.S. Citizenship and Immigration Services (USCIS)
- Persons from OFAC sanctioned countries: https://sanctionssearch.ofac.treas.gov/
- Seller Employee Loans
- Trusts of any kind cannot be the borrower but may hold title
- ITIN Borrowers residing in the U.S.
- 501(c)(3) Organizations
- Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts
- Trusts or business entities where a Power of Attorney is used
- Businesses whose income derives from the cannabis industry

3.3 BORROWER TYPES

Borrower Types	Description
Primary	The occupying borrower who earns the greater of the qualifying income.
Co-borrower	Any borrower (other than the Primary) who is jointly responsible for repayment of the loan with the Primary Borrower. All Co-Borrowers must be on title.
First-time Homebuyer (FTHB)	An individual who: (i) is purchasing the security property (ii) will reside (owner-occupied) in the security property as a principal residence or second home; and (iii) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property
Non-Borrowing Occupant	Any individual residing in the security property who is not considered during the loan qualifying process. A Non-Borrowing Occupant on title will be required to execute applicable documents to create a valid lien.
Non-Occupant Co-borrower ("Co- signer")	An individual who: (i) May or may not have any ownership interest in the property as indicated on title. (ii) Signs the mortgage or deed of trust note. (iii) Has joint liability for the note along with the Primary Borrower. (iv) Does not have a vested interest in the property sales transaction, i.e. is not a seller of the property, is not an existing tenant, is not the builder or the real estate broker. (Will NOT require occupant ratios) Note (a): A family relationship is not required provided the transaction is considered an arm's length transaction. Note (b): The continuity of obligation requirement on a refinance transaction is considered met if one of the current owners is on the loan application.

3.4 ELIGIBLE OCCUPANCY

Occupancy	Description
Primary Residence	A Primary Residence is a property that the borrower will occupy or currently occupies as their primary residence. If there are multiple borrowers only one needs to occupy the property and take title. FTHBs are allowed. Parents or legal guardians wanting to provide housing for their handicapped or disabled adult child OR children wanting to provide housing for their parents is not considered to be a primary residence transaction. Otherwise, see FNMA Guides for Primary Residence.
Second Home	A Second Home is a property that is located a reasonable distance from the borrower's primary residence and is occupied by the borrower for some portion of the year. The property must be suitable for year-round occupancy and cannot be used as a rental property. FTHBs are allowed. Second homes are limited to the following: • One Dwelling Unit • Condominium • PUD • Townhouse
Investment Property	An Investment Property is defined as a 1 to 4-unit residential property that the borrower (nor any relative of the borrower) does not occupy. Requirements: • First Time Investors are allowed with verified 12-month housing payment history. • If a loan is intended to be and closes as a Business Purpose, the file must contain a signed Business Purpose and Occupancy Affidavit.

3.5 ELIGIBLE TRANSACTIONS

3.5.1 PURCHASE MONEY

Purchase money mortgages are mortgage transactions in which the loan proceeds are used to purchase the subject property. This is evidenced by a sales or purchase agreement that has been executed by the applicant (buyer who is a party to the transaction) and the seller. Additional requirements:

- First-time Home Buyers are eligible - must be primary residence or second home only.
- Non-Arm's Length Transaction - A non-Arm's Length transaction is a transaction between family members, co-workers, friends, or anyone associated with the transaction such as the listing agent, mortgage lender or broker. The following is required if the purchase of the subject property is a non- arm's length transaction:
  - Primary Residence: The property must be the borrower's primary residence.
  - Gift of Equity is eligible: A gift of equity occurs when equity in a property is gifted from the owner to the borrower when the borrower and owner are related.
  - Examples of Non-Arm's Length Transactions:
    - Relatives: Defined by blood, marriage, adoption, or legal guardianship. Transactions between parents, siblings, grandparents, aunts, uncles, cousins, stepchildren, or spouses are considered Non-Arm's Length.
    - Employee/Employer
    - Landlord/Tenant
    - Home Builders
    - Real Estate Brokers/Agents
    - Third-Party Service Providers
    - Seller Employees
    - Owner Financed
    - Delayed 1031 Exchanges only are allowed for down payment and cash to close only.
    - HELOCs and 2nd liens not permitted.
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3.5.2 RATE/TERM REFINANCE

A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays, or buying out a co-owner pursuant to an agreement. A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months (with no draws greater than $2,000 in the past 12 months). HELOC withdrawal activity must be documented with a transaction history from the HELOC account.

- At least one borrower on the new loan must be an owner (on title) of the subject property at the time of loan application. Exceptions are allowed in the following cases:
    - The borrower acquired the property through an inheritance or was legally awarded the property (e.g. divorce, separation, dissolution of domestic partnership).
    - The property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.
- Cash-out Limit - Cash-out to the borrower limited to the greater of $2,000 or 1% of the loan amount.
- Use current appraised value for LTV calculation purposes.
- Sale Restriction - Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last 3 months of the application date.

The new Rate/Term Refinance Loan amount is defined and limited by the following:

	Rate / Term Refinance Transaction
	Current first lien mortgage payoff amount
+	Any seasoned non-first lien mortgage payoff amounts on the subject property
+	Closing costs (must be reasonable and within market standards)
+	Prepayment fees
+	Court ordered buyout settlement (if applicable)
=	New Loan Amount

3.5.3 CASH OUT REFINANCE

A Cash-out Refinance Transaction occurs when an existing mortgage lien is paid-off with the proceeds of a new first mortgage and the excess proceeds are distributed to the borrower. A Cash-out Refinance Transaction also occurs when a borrower obtains a mortgage for a property that is currently owned free and clear and the proceeds from the new loan are distributed to the borrower. All excess proceeds eligible for distribution to the borrower are net of customary fees, prepayment fees and other related closing costs.

- At least one borrower on the new loan must be an owner (on title) of the subject property at the time of loan application. If the subject property is owned for less than six months (Note to Note), a 5% reduction to max LTV is required and the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. Proof of improvements is required, and the purchase price must be documented by the final Closing Disclosure (CD) of the property purchase.
- No waiting period is required if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership. LTV/CLTV is based on current appraised value.
- Sale Restriction - Property must be removed from the listing at least three months prior to the Note Date. For properties that have been listed by the current owner within the last six months, the LTV will be based on the lesser of the list price or appraised value.
- Cash back as it relates to the maximum limits is defined as "cash in hand" to the borrower. Net proceeds from a cash-out transaction may be used to meet reserve requirements. Maximum cash out is unlimited for LTV ≤ 65%. For LTV > 65%, maximum cash out is $1,000,000.
- Delayed Financing - Borrowers who have purchased a subject property within the last six months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Cash Out Refinance if the following requirements are met (See FNMA Guides for additional information):
  - The original purchase must have been an Arm's Length Transaction.
  - The original purchase transaction is documented by the Settlement Statement which confirms that no mortgage financing was used to obtain the subject property.
  - The preliminary title report must confirm that there are no existing liens on the subject property.
  - 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 costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for cash-out transactions based on the current appraised)
  - 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), then all cash-out proceeds are to be used to pay-off or pay-down the loan used to purchase the property.
    - Settlement Statement for the refinance transaction must reflect the above
    - Any payments on the balance remaining from the original loan must be included in the DSCR ratio calculation for the refinance transaction.
    - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
    - Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.

3.5.4 CEMA LOANS

Consolidation, Extension, and Modification Agreement (CEMA) loans are available for New York refinance loans only. ATM will not accept any Lost Note Affidavits on CEMA loans.

3.5.5 TEXAS HOME EQUITY LOANS 50(a)(6)

Allowable based on FNMA Guides B5-4.1 must adhere to Article XVI, Section 50(a)(6) statue.

NOTE: Primary Residences only. Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out loan. Loan must be fully amortized.

3.6 INELIGIBLE TRANSACTIONS

- Assumable loans
- Construction to permanent transactions
- Loans with Temporary Buydowns
- Builder Bailout Loans
- Conversion Loans
- Lease Options/Rent-to-Own
- Land Contracts
- Non-Arm’s Length Transactions
- Assignments of the contract to another buyer
- Graduated Payment Mortgage Loans
- Ground leases
- Buydown Mortgage Loans
- Pledged Asset Loans
- Convertible Mortgage Loans (i.e. allows an ARM to convert to a Fixed Rate Mortgage)
- Periodic Payment Loans - must have periodic payments due and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan
- Payoff of a loan with equity sharing features
- Loans with a negative amortization feature
- Simple interest loans

4.0 CREDIT

4.1 ANALYSIS OF CREDIT

Data found in credit reports provide pertinent information about an applicant's credit history and borrowing habits. Applicant information sourced from places such as a Residential Mortgage Credit Report (RMCR) or public records can help to build an applicant's credit profile and to meet ATM eligibility requirements described in this section.

4.2 GENERAL REQUIREMENTS

The lender is required to document that the borrower does not qualify for a GSE loan or has chosen a non-GSE loan program. The lender is also required to include a copy of the final loan approval.

- The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.
- Aging - The credit report should be dated within 120 days of the date the borrower(s) signed the Note and Mortgage.
- Debt Monitoring - An Undisclosed Debt Notification (UDN) is required within 10 days of closing date. Verification of monitoring document needs to clearly show date issued, created or printed within 10 days of closing date showing actively monitoring. ATM will also accept a credit refresh/gap report within a 10- d a y window.
- Evaluation - In general, ATM will evaluate an applicant's Credit Report to determine their willingness to pay debts. Among other things, the credit report will be reviewed for:
    - Age of accounts
    - Late payments frequency, severity, aging
    - Account balance size
- A written explanation for credit inquiries in the last 90 days is required.

NOTE: If the borrower's credit information is frozen at one of the credit repositories for borrowers who have traditional credit, the credit report is still acceptable as long as:

- Credit data is available from two repositories,
- A credit score is obtained from at least one of those two repositories, and
- The lender requested a three in-file merged report.

4.2.1 CREDIT SCORES

FICO® is a credit score developed by FICO, previously known as Fair Isaac Corporation. FICO scores are derived by a credit-scoring model used to predict the likelihood of a default occurring. FICO scores are among the most important factors in determining the customer's likelihood of debt repayment. The higher the FICO score, the lower the probability of default.

A minimum of 2 credit scores is required to be provided for each borrower and is used to determine the qualifying credit score for loan approval. The Representative Credit Score for a borrower is the middle score of 3 FICO scores, or the lower score of 2 FICO scores (when only 2 FICO scores are provided). When more than one borrower qualifies for the loan, the qualifying score is the Representative Credit Score of the Primary Wage Earner. If borrowers are 50/50 owners of a business and income is equal, the higher Representative Credit score is used for qualifying.

4.2.2 TRADELINE REQUIREMENTS

All borrowers should have an established credit history that is partially based on tradeline history. Only the Primary Wage Earner is required to meet the minimum tradeline requirements below and if the Primary Wage Earner has 3 credit scores reporting on credit, then the minimum credit tradeline requirements are considered met.

Required Tradelines	Active Reporting Period
3 Tradelines	≥ 12 months
OR	
2 Tradelines	≥ 24 months

Borrowers without the above minimum trade lines may qualify if there is a minimum of at least four years of established credit history as follows:

- Eight or more tradelines reported,
- At least one tradeline active in the last 12 months, defined as last activity within 12 months of the credit report date, and
- At least one of these tradelines must be a mortgage tradeline (can also be counted as the active tradeline).

4.2.3 CREDIT REPORTING DATA INCLUDED IN DTI RATIOS

- **Installment Debt:** All installment loans (monthly obligations with fixed payments and terms) must be included in the borrower's DTI.
  - Excluded from DTI: Payments of 10 months or less. If the payment exceeds 5% of the borrower's qualifying income, then the seller must include the remaining payments in the DTI.
  - Excluded from DTI: Any installment debt that is paid prior to or at closing can be excluded from the DTI. Supporting documentation is required to verify that these debts have been paid.
- **Revolving Debt:** Open-ended debt obligations in which the principal balance may vary each month. The minimum required payment stated on the credit report, or the current account statement must be used to calculate DTI. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI unless there are sufficient documented reserves (in excess of the required minimum reserves requirement) to cover the full reporting account balance.
  - Excluded from DTI: Revolving accounts that are paid off prior to or at closing are excluded from the DTI. Supporting documentation such as a credit supplement or verification from creditor is required. Funds used for payoff must be sourced if the account balance is paid prior to closing.
- **Lease Obligations:** Must be included in the DTI regardless of the time remaining on the lease.
- **Child Support, Alimony or Maintenance Obligations:** Must be current at the time of application and must be included in the DTI. The loan file should contain supporting documentation (such as a final divorce decree, legal separation agreement or court order) evidencing the obligation. If payments are delinquent, then they must be brought current prior to the loan closing.
- **Contingent Liabilities:** A borrower has contingent liability when an outstanding debt obligation has been assigned to another party, but the creditor has not released the borrower from the obligation. Contingent Liabilities must be included in the DTI unless the following conditions are met.
  - Excluded from DTI: If another party was obligated to buy-out the borrower because of a divorce or separation, then the loan file should include the divorce decree, separation agreement or court order that shows transfer of ownership. In addition, the obligation in question must be current.
  - Excluded from DTI: Debts paid by others can be excluded from the DTI Ratio if the debt is being paid in a satisfactory manner by another party for the past 6 months. Acceptable documentation includes cancelled checks or bank statements that consistently show another party making at least the past 6 payments.
- **Paystub Deductions:** Are included in DTI (excluding 401(K) repayments)

4.2.4 CREDIT REPORTING FOR BUSINESS DEBT

Business debt is typically a financial obligation of a business. However, business owners can sometimes be personally responsible for that debt as well. If business debt is reflected on the borrower's credit report and the debt is less than 6 months old, the debt must be included in the DTI. If the business debt is greater than or equal to 6 months old, the debt may be omitted from the DTI if the borrower provides documentation that the borrower's business is making the payments on the debt. Acceptable documentation includes the most recent 6 months of canceled checks or bank statements showing the debt as paid from the business account.

4.2.5 HOUSING HISTORY

Acceptable housing history requires evidence that a borrower has made a housing payment for at least the last 12 months (24 months required for WVOE loans) whereby that payment history meets the requirements of the Alt Doc Program Credit Matrix. A Verification of Mortgage (VOM) must be obtained for all outstanding mortgages that are not reported to the borrower's credit report, including private mortgages.
Verification needs to reflect pay history up to the date of application and must be current at closing. If the credit report does not reflect pay history, following are acceptable methods of verification:

For mortgage payments (any of the following)

- VOM obtained from the Mortgage Servicer,
- Electronic pay history printout obtained directly from the Mortgage Servicer showing timely payments,
- Bank statements showing account ownership and timely payments debited by Mortgage Servicer,
- Cancelled checks front and back as well as the most recent mortgage statement, or
- For private mortgages, provide a fully executed VOM together with either bank statements showing account ownership and timely payments debited by Mortgage Servicer OR cancelled checks front and back along with the most recent mortgage statement.

For rental payments

- If was/is renting from a private party, obtain either a fully executed VOR OR the most recent lease for the property address in question. In either case, verification of timely payments made is required (either canceled checks front and back OR bank statements showing account ownership and payments debited by the landlord).
- If was/is renting from a management company, obtain a fully executed VOR. Otherwise, obtain the most recent lease along with a payment history ledger from the management company, canceled checks front and back or bank statements showing account ownership, and payments debited by management company.

NOTE: Properties owned free and clear are considered 0x30 for grading purposes for each month the property has been owned free and clear (e.g. a property owned free and clear for the last 12 months satisfies the housing history requirement).

4.2.6 NO HOUSING HISTORY OR LESS THAN 12 MONTHS VERIFIED

This section applies to any borrower who has not made at least 12 months of housing payments on any property (or as a tenant in a rental situation) in the most recent 12 months. Borrowers who do not have a complete 12-month housing history are subject to all of the following restrictions:

- Primary residence only
- Greater of 6 months reserves or months of reserves required at higher loan amounts
- 10% minimum borrower contribution
- Max 45% DTI
- Fully executed VOR/VOM must be obtained for all month's available reflecting paid as agreed, if
- applicable

Borrowers living rent free at their primary residence may be eligible but only if they live with a non-borrowing spouse. To be eligible, the non-borrowing spouse must provide a rent-free letter, and evidence of an acceptable 12-month housing payment history (mortgage or rent payment) from the non-borrowing spouse must be obtained. Otherwise, borrowers living rent-free with any person other than a non-borrowing spouse are not eligible and may only be considered on a case-by-case basis.

4.2.7 OTHER CREDIT AND CREDIT REPORTING REQUIREMENTS

- Authorized User Accounts: Credit report tradelines in which the applicants are "authorized users" may not be considered in the underwriting decision except in certain circumstances such as those listed here:
  - Another borrower in the mortgage transaction is the owner of the tradeline,
  - The borrower is an authorized user on a spouse's credit report tradeline, or
  - The borrower can provide written documentation that he or she has made at least 50% of the monthly payments on the account for at least 12 months preceding the date of the application.
- Student Loans: Payments and deferment will be reviewed in accordance with FNMA guides

4.2.8 CREDIT COUNSELING, COLLECTIONS, JUDGMENTS AND LIENS

- Judgements, Garnishments and Liens: The borrower is required to pay off all open judgements, garnishments, and liens (including mechanics liens or material men's liens) prior to the loan closing.
- Consumer Credit Counseling Services: Borrower enrollment in CCCS is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.
  - If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, then exclude these balances from the charge-off and collection limits listed below. The monthly CCCS plan payment must be included in the DTI calculation.
  - If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency eligible establishing the date of completion.
- Collection Accounts and Charge-offs do not have to be paid in full if the following applies:
  - 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,
  - Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required),
  - All medical collections
  - Exception: IRS repayment plans with 3 months history of payments may remain unpaid
- Past Due Accounts must be brought current.

4.2.9 FORBEARNACE, DEFERRED PAYMENTS, MODIFICATIONS

- COVID Forbearance must be released and fully current
- Non-COVID deferred payments are unacceptable credit events and disqualify borrower(s) from financing.
- Mortgage Loan Modifications are acceptable with 36 months seasoning, min 720 FICO and no additional credit events after modification (Except for Ultra Program which requires 48 months). Examples of mortgage loan modifications are:
  - 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.

4.2.10 SIGNIFICANT ADVERSE CREDIT

Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off Mortgage and/or Foreclosure must be seasoned at least 36 months from time of application for Alt Doc Programs.

5.0 CAPACITY

5.1 BANK STATEMENT ANALYSIS

Personal bank statements or business bank statements may be used to document self-employed income. Bank Statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating In the Fannie Mae Day 1 Certainty® process.

Bank Statement calculator is available on http://www.ameritrusttpo.com Broker resources or you may send for calculation. The following is required for both the Personal Bank Statement option and the Business Bank Statement option:

- Borrowers should be self-employed for at least two years with the same business. However, a borrower may qualify with less than two years but more than one year of self-employment with the same business if the borrower can document at least two years of previous successful employment in the same line of work in which the person is currently self-employed, OR one year of previous successful employment in the same line of work and one year of formal education or training in the same line of work.
- Businesses should be established and have been in existence for the past two years. However, if a borrower is qualifying with less than two years but more than one year of self-employment, then the business should be established for the same length of time that the borrower has been self-employed.
- A 3rd party verification that the business is in existence, in good standing and active is required.
- For Personal Bank statements, the most recent statement dated within 90-days of the note date. Two months Business Bank Statements are required to support. Verify that the borrowers owns 20% of the business by providing one of the following: CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's percentage ownership.
  See below under the Personal Bank Statement for full details.
- Bank statements used for income must be consecutive and reflect the most recent months available. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of business.
- Bank statements must support stable and generally predictable deposits. Large and unusual deposits as determined by the underwriter must be sourced. Deposits from alternative payment processing applications (i.e. Square, Venmo) are eligible.
- The underwriter must evaluate deposit and withdrawal patterns and determine whether or not the income used for qualifying is stable. Account withdrawals that are consistently greater than deposits may be a sign of declining cash flow/income. As a result, declining income may require an explanation from the borrower or their tax preparer (excluding PTIN tax preparers) and may result in loan disqualification if the income is deemed unstable. If the explanation is from the CPA/Licensed Tax Preparer, they must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated/associated with the borrower's business if they have not done so somewhere else in the loan file.
- Non-Sufficient Funds (NSF) – ATM defines an NSF occurrence as any day that the account ends the day with a negative balance. NSFs typically result in a fee charged by the financial institution. ATM will allow up to three (3) NSF occurrences within the last 12 months. If there are zero (0) occurrences in the most recent

three-month time period, up to five (5) occurrences are allowed in last 12-month time period. An LOE from the borrower must be satisfactory. 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 occurrence was rectified, and(b) additional compensating factors outlined by underwriter supporting the viability of income. The underwriter must consider the financial strength of a self-employed business. Requires second level Sign-off.

- Overdraft Protection (OD) – ATM considers an overdraft to be an event where an account has gone negative but is linked with another account or line of credit with the same financial institution. ATM will allow these and treat them as an isolated incident (i.e. not an NSF) provided the account does not end the day with a negative balance and shows a transfer from another account. An LOE from the borrower must be satisfactory.
- Deposits in the form of transfers from other accounts are generally excluded as qualifying deposits unless it is a wire transfer from another company for services rendered.
- ATM will consider other forms of income used in conjunction with the Bank Statement Program such as W2 income or fixed income such as Social Security Benefits, Asset Depletion.
- When a signed and dated Third Party P&L is provided, it must cover the same dates as the bank statements.

5.1.1 (a) PERSONAL BANK STATEMENTS

The following documentation is required:

- 12 or 24 months complete personal bank statements dated within 30 days of application (multiple personal accounts may be used), and
- Two (2) months business bank statements (to support that the borrower maintains a separate business account). If business bank statements cannot be provided to evidence a separate business account, then a 10% expense factor may be applied as long as there is no indication that the personal assets are a co-mingled account.
- Transaction histories are not acceptable.
- The initial 1003 must disclose monthly income.
- Bank statements reflecting other individuals except non-borrowing spouses who are not applicants on the loan are not eligible. When a spousal joint account is used, the borrower must be 100% owner of the business and all income/deposits from the non-borrowing spouse must be removed. All parties must attest in writing that the income/deposits being qualified belongs to the borrower. If the individual borrower is SOLE owner of personal account, the borrower may be 20% and above owner of the business by verifying that the owner is 25% and above from a CPA letter, tax preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

The following applies when analyzing personal bank statements:

- All deposits into the personal account that can be validated as being business-related deposits can be qualified. Total deposits are not reduced by an expense factor.
- Large and/or unidentified deposits as determined by the underwriter must be sourced. If it is determined that any deposit did not come from the borrower's business, the deposit must be excluded.
- Transfers will be excluded unless they are from the borrower's business account or method of Venmo etc. able to be sourced.

- If the personal account is jointly owned, and the joint owner is not an owner of the business,
- deposits that are not readily identifiable transfers from the business accounts or business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months business bank statements, which must:
- Evidence activity to support business operations.
- Reflect transfers to the personal account.

The following documentation is required:

- 12 or 24 months of complete business bank statements from the same account. If an account has been moved to a different bank and is shown to be one and the same, that is acceptable. Co-mingling of multiple accounts to generate a full 12 or 24 months is not permitted.

5.1.1 (b) BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW

A business bank statement is used for ongoing operations of the business must reflect the name of the business as complete on the URLA or loan application.

The following documentation is required:

- 12 or 24 months of complete business bank statements from the same account.
- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
    - The lender must verify the borrower's percentage of ownership. Acceptable forms of documentation that clearly state ownership percentage include a business license, a signed written statement from a CPA or a Third-Party Tax Preparer (excluding PTIN tax preparers), an Operating Agreement, Articles of Incorporation/Articles of Organization, a Partnership Agreement, or a Business Certificate filed with a governmental agency.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

A co-mingled bank statement is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- Reasonable and Customary Eligible Business Expenses from personal bank accounts:

The following apply when analyzing business bank statements:

- Reasonable and Customary Eligible Business Expenses from personal bank accounts:
    - Personal bank accounts that are addressed to a DBA
    - Personal bank accounts that can evidence use for business expense
    - Verify that the borrower has 100% ownership of the business by providing one of the following:

- CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership
- (excluding PTIN tax preparers), an Operating Agreement, Articles of Incorporation/Articles of Organization, a Partnership Agreement, or a Business Certificate filed with a governmental agency.

DOCUMENTATION REQUIREMENTS:

- A standard 50% expense factor will be applied to the total of eligible deposits.
- 12-or 24- months of consecutive business bank statements, the most recent statement dated within 90 days of the note date.

If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then a expense factor from a CPA/accountant, IRS Enrolled Agent, tax preparer or P&L may be used to determine qualifying income.

INCOME CALCULATION METHOD:

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- Deposits x (.50) x (ownership %) /24 or 12- qualifying income
  - Example: $400,000 x .50 = $200,000 x 1.00 =$200,000/ 12 = $166,666.00

3rd Party Prepared Business Expenses Statement Letter Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- Business expense statement letter to include:
  - Name of the business o Business expenses as a percentage of the gross annual sales/revenue
  - Prepared or reviewed by a 3rd party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer)
  - Signed by the 3rd party preparer/reviewer Income Calculation Method
- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- Deposits x (expense ratio) x (ownership %) / 24 or 12 = qualifying income.
  - Example: $360,000 x .75 = $270,000 x .50 = $135,000 / 12 = $11,250

3rd Party Prepared P&L Statement Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
    - P&L covering 12- or 24- months (determined by the months of bank statements provided)
    - Prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or tax preparer.

Documentation is required to evidence the preparer's business.

- Signed by the 3rd party preparer/reviewer Income Calculation Method
- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L.

The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:

- The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
- Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (12 or 24).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
    - Depreciation X Depletion X Amortization/casualty loss

5.2 RENTAL INCOME

Rental income can be utilized on the following loan programs:

- 12-24 Bank Statement Analysis
- P&L Only
- 1099 Reduced Doc
- Asset Depletion
- Asset Utilization (see Asset Utilization section for requirements)

Borrowers using rental income from investment properties not associated with the borrower's business may do so by providing a current active lease together with proof of rent payments received for the most recent 2 months. If there is a newly executed lease for new tenants, provide proof of receipt for deposit and 1st months' rent. Any deposits in the business bank account used in the business income analysis are not eligible.

- 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
- If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- If transaction type is a purchase of an investment property, and income from the subject property is considered in the underwriting, proposal rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.

Short term rental:

If the subject property is leased on a short-term basis utilizing an online service such as Airbnb or VRBO, gross monthly rents can be determined by using a 12-month look back period. Either 12 monthly statements or an annual statement provided by the online service is required to document receipt of rental income. In addition, a screen shot of the online listing must show the property is actively marketed as a short-term rental. The use of Form 1007 is based on short-term rental properties may be allowed when the property is located in an established short-term/vacation market on a case-by-case basis.

- 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
- A screen shot of the online listing must show the property(s) activity marketed as a short-term rental.

Application of Rental Income:

Primary Residence

- The monthly qualifying rental income(as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property).
- The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.

Investment Property

- If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
- If the monthly qualifying rental income minus the PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
- The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

If attempting to use rental income from a departing residence OR a purchase transaction for an investment property with no rental income history (i.e. vacant), appraisal Form 1007 or 1025 (as applicable) will be used to determine gross market rent.

Properties defined as a one-unit property with an accessory unit (ADU) may use rental income from the accessory unit subject to the following:

- Appraisal must reflect that the zoning compliance is legal (permits are not required to establish zoning compliance),
- The appraisal must include at least one sales comparable with an accessory unit, and Form 1007 must include at least rental comparable with an accessory unit in which the ADU receives rental income.
- Multiple accessory units are not permitted.
- Refinance: Market rent for the accessary unit should be documented on Form 1007, and the file must include a copy of the current lease with two months proof of current receipt.
- Purchase: Use the lesser of the market rent on Form 1007 or the lease agreement if the subject is an investment property. Rental income from an ADU is not allowed for primary residences and second homes.

In all instances (including an ADU), qualifying rental income will be gross rents x 75% to account for vacancy losses and ongoing maintenance expenses.

5.3 PROFIT & LOSS ONLY

Required Documentation if utilizing a Profit and Loss Statement for income validation:

- A Profit and Loss Statement (P&L) covering the most recent previous 12 or 24 months (depending on loan program), valid if the most recent month is dated within 90 days of closing. The P&L must be completed and reviewed by a Certified Public Accountant, Enrolled Agent, CTEC, Chartered Tax Adviser or Independent Licensed Accountant. ATM does not allow PTIN tax preparers.
- The acceptable 3rd party that prepares the P&L must sign and date the P&L to validate the accuracy of the P&L. The P&L may be unsigned if the 3rd party preparer signed and dated a cover letter or similar document that accompanies the P&L delivery and specifically states they prepared the P&L provided.
- The CPA/Licensed Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated/associated with the borrower's business if they have not done so somewhere else in the loan file.
- Proof must be provided that the appropriate 3rd party preparer who completed the P&L is duly licensed, or certified - certification or licensing proof is acceptable if verified by professional services directory, government listing, or other reasonable 3rd party (certification proven by other reasonable methods may be allowed at underwriter discretion).
- Proof the business has been in operation for 12 months or greater (24 months required for the 24- month P&L program).
- The borrower must be self-employed for two (2) years. The employment section of the URLA must be completed reflecting two (2) years self-employment.
- Proof of business ownership percentage if the business is a corporate entity and the P&L covers the business as a whole and not just the borrower's share of the business.
- 3rd party documentation must be provided from which the borrower's ownership percentage can be determined. Documents which are not required to list all owners do not meet this requirement.
- P&L Only is an Alternative Documentation type and priced as such.
- P&L must reasonably reflect the income and expenses of the industry described.
- P&L statements not meeting the requirements of this section, or which are suspicious in nature, may require additional verification.
- Qualifying income will be net income from the P&L Statement Divided by the time period covered multiplied by the borrower's ownership interest.
- Ineligible source of income: Not-for-profit entity

ATM reserves the right to request additional documentation on 3rd party Certified Public Accountant (CPA), IRS Enrolled Agent (EA), CTEC registered tax preparer, or Tax Attorney prepares P&L statement for multiple borrowers.

- Expenses on the P&L must be reasonable for the industry- ATM requires a minimum of 20% expense factor.
- The following may be added back to the qualifying income calculation:
    - Depreciation
    - Depletion
    - Amortization/Casualty Loss

NOTE: Supplemental income such as W2 or SSI may be included with this loan program provided it is not the dominant income type or conflicts with primary income calculation. Supplemental income should be documented in accordance with full doc income requirements.

5.4 WRITTEN VERIFICATION OF EMPLOYMENT (WVOE)

Borrowers who have a 2-year history of employment with the same employer may utilize this program subject to the following:

- WVOE must be completed on Fannie Mae Form 1005 sent directly to and received directly from the employer. The employment information must be completed by Human Resources, the Payroll Department or an Officer of the company. A WVOE from an online provider such as Equifax or The Work Number is also acceptable. Borrowers employed by family members or related individuals are not eligible.
- Paystub, Tax Returns or W2s are not required.
- The only eligible source of income is limited to salary/base pay from employment. Supplemental income sources such as commissions or rental income are not permitted.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- VVOE within 10 days of closing is required.

The following apply when using WVOE only:

- Minimum FICO 680
- Primary Residence Only
- Max 80% LTV for purchase or rate/term refinance
- Max 70% LTV for cash-out refinance
- 0x30x24 housing history (rent free or any other instance of documenting less than 24 months of housing history is ineligible)
- FTHB maximum 70% LTV & 45% DTI
- No gift funds allowed

5.5 1099 REDUCED DOC INCOME

Borrowers who have a two-year history of receiving 1099 only or have recently converted from W2 to 1099 and have at least one year of receiving 1099 in the same line of work may utilize this program.

Borrower must provide the following:

- 1099 for the previous year tax year, payable to the borrower and not a business
- Verification of Employment from the current contract employer covering the most recent two years plus Year-to-Date earnings, likelihood of continued contractor status and whether the contractor is required to pay for any business-related expenses (non-reimbursed).
    - If the verification does not reference related expenses, then a Fixed Expense Ratio of 10% may be used.
- Most recent two months proof of receipt is required in the form of paystubs, checks or bank statements.

NOTE: If WVOE cannot be obtained for any employers in 2-year history, an LOE is required regarding the extenuating reason why it cannot be obtained as well as both a year end and a year-to-date paystub from all contract employers to support the income calculation.

NOTE: Supplemental income such as W2 or SSI may be included with this loan program provided it is not the dominant income type or conflicts with primary income calculation. Supplemental income should be documented in accordance with full doc income requirements.

5.6 ASSET DEPLETION

Asset Depletion may be used to determine qualifying income both alone and in conjunction with other documentation options. Asset Depletion is considered to conform to the Alt Doc Program from a credit and pricing standpoint. Please see the applicable ATM Matrix for restrictions. Asset Depletion is not permitted on cash-out or debt consolidation transactions. Asset Depletion is permitted on primary residences and second homes only. Gift funds are not permitted. The minimum asset requirements under the qualification method is waived.

Qualified Assets may be comprised of stocks, bonds, mutual funds, vested amount of retirement accounts and bank accounts. If a portion of Qualified Assets is being used for down payment, closing costs or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination. Proof of six-month seasoning of all assets is required.

- The following assets are considered Qualified Assets and may be utilized to calculate income:
  - 100% of checking, savings, and money market accounts, and US Treasuries with maturity < 1-yr.
  - 100% of the cash surrender value of life insurance less any loans maybe considered an asset.
  - 70% of the remaining value of Stocks, Bonds and Mutual Funds.
  - 70% of 401k, Retirement assets (Under eligible retirement age of at least 59 ½)
  - 80% of 401k, Retirement assets (Eligible retirement age of 59 ½)

Eligible trust assets include:

- 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 assets held in the trust, the above asset percentages apply.

Calculating Qualifying Income:

- Debt Ratio Calculation: Minimum Eligible Assets required is the lower of $1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs.
- The income calculation is as follows: Monthly Income = Net Qualified Assets ÷ 84 Months

5.7 ASSET UTILIZATION

Asset Utilization may be used for borrowers who have significant verifiable assets and would benefit from alternative loan qualification. Asset Utilization is considered to conform to the Alt Doc Program from a credit and pricing standpoint. Asset Utilization may be used with any occupancy type. Please see the applicable ATM Matrix for restrictions.

Qualified Assets:

The following assets are considered Qualified Assets and may be utilized for qualification:

- 100% of checking, savings, and money market accounts, and US Treasuries with maturity < 1-yr.
- 100% of the cash surrender value of life insurance less any loans maybe considered an asset.
- 70% of the remaining value of Stocks, Bonds and Mutual Funds.
- 70% of 401k, Retirement assets (Under eligible retirement age of at least 59 ½)
- 80% of 401k, Retirement assets (Eligible retirement age of 59 ½)

The most recent 3 months of account statements for all Qualified Assets are required. Increases or decreases of greater than 15% over the six-month period (i.e., compare month 1 to month 6) must be explained by the borrower. Additional supporting documentation may be required. Balances of qualifying assets must be verified within 10 days of Note Date. All individuals listed on the asset account(s) must be on the Note and Mortgage. Assets must be seasoned for 90 days.

Ineligible Asset Types

- Gift Funds (inclusive of down payment)
- Business funds
- Non-liquid assets (automobiles, artwork, business net worth etc.)
- Annuities of any type
- Face value of a life insurance policy
- Foreign Assets
- Joint accounts with individuals who are not on the loan.

DTI:

A traditional DTI is not calculated for Asset Utilization. Rather, post-closing Qualified Assets must be greater than the sum of the items noted below:

- 100% of the loan amount.
- 60 months of all real estate and consumer debt payments including revolving accounts, installment and lease accounts, alimony/child support, and mortgage related expenses on all properties owned including the subject property taxes, insurance, HOA dues, etc. (do not include the subject property P&I).
- Subject property reserves requirements based on the loan amount as detailed in the Reserves section of this guide.

Residual Income:

In accordance with ATR standards, a monthly residual income calculation must be completed. The formula for this calculation is:

- Post-Closing Qualified Assets ÷ 60 months = Total Monthly Income
- Total Monthly Income – Total Monthly Debt Obligations (Expenses) = Monthly Residual Income
- Minimum residual income is $1,500/month.

NOTE: Required reserves are not deducted from Post-Closing Qualified Assets when calculating residual income.

Mortgage Related Expenses:

As referenced in the DTI section, property related expenses must be accounted for in the 60-month debt calculation.

- **Subject Property:** Exclude the subject P&I from the 60-month calculation (i.e. only include taxes, insurance, HOA dues, special assessments, etc.).
- **Non-Subject Properties:** Include the PITIA of additional REO in the 60-month calculation. Whenever an additional REO is an investment property, the PITIA for that property may be excluded from the coverage requirement provided the property has positive cash flow. If the investment property has negative cash flow, any net negative rental amount must be included in the 60-month debt total. Leases + 2 month's most recent rent receipts are required to document the rental income received for an investment property (Form 1007 is not required). A 25% vacancy factor must be applied to the monthly rent prior to calculating positive/negative cash flow for the property. Net rent can never exceed $0.
- **Short-Term Rentals:** Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement. Short-term rentals are permitted. Proof of receipt for the most recent 24 months is required. Use documented 24 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that month.

Installment Debt:

Installment debt that is not secured by a financial asset (including student loans, automobile loans, and home equity loans) must be considered part of the borrower's recurring monthly debt obligations if there are more than 10 monthly payments remaining. Paying down installment debt to ≤ 10 remaining payments to avoid including in the required assets calculation is not permitted. Paying off installment debt completely is permitted.

Employment and Income:

Employment and income are not required to be disclosed on the 1003. If not disclosed, enter "Not applicable to this loan" in the respective fields. A secondary contact phone number must be reflected in the business phone number section on the 1003 (for consumer contact purposes only).

Tax Transcripts:

Form 4506-C is NOT required for Asset Utilization.

Borrower Affirmation:

The borrower must acknowledge their ability to repay the loan by signing a Borrower Affirmation Document at closing.

5.8 MONTHLY DEBT

- DTI = total monthly debt ÷ total monthly gross income.
- Monthly debt service used to calculate DTI must include the following:
  - Monthly mortgage principal and interest, hazard and flood insurance, real estate taxes, special assessments, association dues and any subordinate financing payments for all real estate owned by the borrower.
  - Rent obligation on a primary residence when the subject transaction is for a second home or investment property.
  - Recurring installment debts.
  - Lease payments.
  - Revolving and open-ended account payments, regardless of the balance.
  - Child support or separate maintenance payments and alimony.
  - Other continuing obligations.
- The maximum allowable DTI varies depending on the loan program but will never exceed 50%. Please refer to ATM's Credit Matrix for maximum allowable DTI.

5.8.1 RESIDUAL INCOME

A minimum of $1,500/month in residual Income is required on all loan products.

5.8.2 BORROWER ATR CERTIFICATION

Loans subject to Reg Z. Ability to Repay must include a borrower(s) certification attesting to the following:

- Borrower(s) have fully disclosed their financial obligations,
- Borrower(s) have reviewed and understand the loan terms; and
- Borrower(s) have the ability to repay the loan.

NOTE: An underwriters detailed attestation regarding borrowers ability to repay is acceptable in lieu of signed borrower disclosure for all loan programs except Asset Depletion or Asset Utilization.

5.8.3 SUBORDINATE FINANCING

ATM allows subordinate financing provided the following conditions are met:

- The subordinate financing doesn't have a negative amortization or an interest only feature.
- Subordinates with prepayment penalties are not allowed.
- All subordinate financing must be from a Financial Institution (i.e. no private party).
- Subordinate financing payment must be included in the DTI calculation.
- Max LTV/CLTV cannot exceed Max LTV in Credit Matrix.

Required Documentation for subordinate financing:

- Copy of the subordinate Note
- Copy of the Subordination Agreement

5.8.4 ADJUSTABLE RATE & INTEREST ONLY QUALIFYING

For all ARM loan transactions, the greater of the Note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index. Interest-only loans are qualified using the greater of the Note rate or the fully indexed rate using the fully amortized payment over the fully amortized term of the loan.

All ARM Notes and Riders should contain ARCC fallback language consistent with FNMA requirements.

ADJUSTABLE RATE CRITERIA SOFR	
	Program/Type
MARGIN	*see rate sheet
CAPS	5 YEAR ARM = 2/1/5
	7 YEAR ARM = 5/1/5
INDEX	30 DAY AVERAGE SOFR
RESET PERIOD	6 MONTHS
FLOOR	MARGIN

30 Day average SOFR index as published by the New York Federal Reserve

5.9 ASSETS

Measuring liquid assets is a good way to determine if a borrower has sufficient funds to pay for a down payment, closing costs and required reserves. The following is a list of established assets that can be used to determine a borrower's liquidity. Next to each asset is the value that ATM assigns based on its liquidity.

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (100% net of margin debt) - Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- Restricted Stock Units (RSU) - Refer to FNMA Guides.
- IRA, Keogh, and 401(K) Retirement Accounts including ROTH - (80% of vested balance less outstanding loans secured against it for under eligible retirement age, 100% of vested balance less outstanding loans secured against it for eligible retirement age) Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.
- Pension Plans (60%) - Only amounts accessible within a 30-day window are allowed Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.
- Annuities (60%) - Only amounts accessible within a 30-day window are allowed.
- Trust Accounts (100%) - Must review a copy of the full Trust.
- The use of business assets for self-employed borrowers for down payment, closing costs, and reserves is allowed. The borrower(s) on the loan must have 50% ownership of the business and must be the owner(s) of the business account. Access letters from the remaining owners of the business must be obtained as well. A letter from a CPA, Third-Party Tax Preparer (excluding PTIN tax preparers) or the borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA/Tax Preparer letter is not provided, a cash flow analysis of the business assets and liabilities (balance sheet) must be completed by the Seller to determine if the withdrawal of funds from the business is acceptable. If no balance sheet provided, ATM will accept a lender cash flow analysis of 12 months business bank statements.
- Spousal accounts - 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 requirements outlined in Verification of Assets. Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.
- Cryptocurrency (e.g. Bitcoin, Ethereum) is an eligible source of funds for down payment, closing costs and reserves. For down payment and closing costs, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Note date at 60% of the current valuation. If the borrower transfers the cryptocurrency into a U.S. financial institution prior to closing, 100% of the funds can be used for reserves. Cryptocurrency is not an eligible liquid asset for asset utilization/depletion.
- Delayed 1031 Exchange funds (aka "like-kind exchanges") are eligible for EMD, down payment and closing costs. 1031 Exchange funds are not eligible for reserves.

5.9.1 VERIFICATION OF ASSETS

The lender may use any of the following types of documentation for verification:

- Verification of Deposit (VOD): The information must be requested directly from the depository institution. The completed, signed, and dated document must be sent directly from the depository institution and dated within 30 days of the application date.
- Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The statements must cover account activity for the most recent 30 days. A summary statement will not be accepted.
    - The statements may be computer generated forms and must include or state the following:
        - The borrower as the account holder
        - The account number(s)
        - The timeframe the statement(s) cover
        - All deposits and withdrawal transactions
        - The previous close balance, the current balance, and the ending account balance.
        - Retirement account statements must be from the most recent period and show the borrower's vested amount and terms.
- Large cash deposits are not an acceptable asset source.

5.9.2 OTHER REQUIREMENTS

- Assets must be seasoned for 30 days and any large deposits as determined by the underwriter must be sourced.

Gift Funds:

- 100% of gift funds are allowed on owner-occupied transactions.
- For second homes and investment properties, the borrower must demonstrate they have a minimum of 10% of their own funds for the down payment. The borrower does not have to actually contribute 10%, only document that they have 10%.
- Gifts must be from a family member. Gifts can be used to pay off debt.
- Gift funds cannot be counted towards reserves.
- Purchase transactions only.

- Unsecured loans, sweat equity, and gifts that require repayment are not eligible for sources of down payment.

5.9.3 RESERVES

Reserve Requirements	
Loan Amount	**Months Required
< $1,000,000	2 months
$1,000,000 - $1,500,000	6 months
> $1,500,000	9 months
R/T Refinances with ≤ 65% LTV	No minimum reserves required

*** Reserves are not stacked*. **For IO loans reserves are based on the IO amount.**

5.9.4 SELLER CONCESSIONS

Occupancy	LTV	Max Percentage
Primary and 2nd Homes	≤75	9%
Primary and 2nd Homes	75.01 – 85.00	6%
Investment	All	6%

Seller Concessions include:

- Financing concessions greater than the max financing concession limitations; or
- Contributions such as cash, furniture, automobiles, decorator allowances, moving costs, and other giveaways granted by any interested party to the transaction (contributions with a combined value under $1,000 should be excluded)
- The value of sales concessions must be deducted from the sales price when calculating LTV for underwriting and eligibility purposes. The LTV is then calculated using the lower of the reduced purchase price or the appraised value.

6.0 COLLATERAL

6.1 ELIGIBLE PROPERTY TYPES

- Single Family Dwellings
- Single Family Dwellings with One Accessory Unit (ADU)
- 2-4 Family Dwellings
- Planned Unit Development (PUDs)
- Condominiums- warrantable/non-warrantable
- Modular homes
- Properties considered Rural to Twenty (20) acres
- Leaseholds (in areas where leaseholds are common)

6.2 INELIGIBLE PROPERTY TYPES

Assisted Living	Mixed Use
Agricultural properties	Properties with less than 500 square feet living space
Barndominiums	Properties Under Construction
Boarding houses	Rural properties greater than 20 acres
C5 or C6 property condition grades	Tenancy in Common properties
Commercial properties	Time-shares
Geodesic domes	Unique Properties
Log Homes	Working Farms
Manufactured housing or Manufactured Homes	Vacant lots
Work escrows are not allowed	No Mortgage Loan financing builder inventory allowed

6.3 DECLINING MARKETS

The appraiser determines if a property is located in a declining market. Within the Neighborhood section of the appraisal, the Housing Trends subsection provides information on Property Values, Demand/Supply and Marketing Time. When the appraiser marks the Declining box for Property Values, the property is considered to be located in a declining market. For any property located in a declining market where the LTV is > 65%, a 5% LTV reduction is required.

6.4 FLIPS

When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a "flip." To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- Assignments of the contract to another buyer are not allowed.
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained
- Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/. A second appraisal is required in the following circumstances:
  - Greater than 10% increase in sales price if seller acquired the property in the past 90 days
  - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days

6.5 TRANSFERRED APPRAISALS

Appraisal transfers are allowed when an appraisal was completed prior to the loan being closed. Appraisal transfers are subject to the following requirements:

- The appraisal must be less than 60-days old at the time of transfer (less than 120-days at closing) and ordered through an approved Appraisal Management Company.
- A letter must be obtained from the original lender on company letterhead stating they are transferring the appraisal to ATM. The letter must transfer the ownership and rights for the specific transaction.
- The Lender must certify they have complied with Federal, State and FNMA Appraisal Independence requirements.
- An appraisal delivery form must be provided to the borrower to confirm the borrower's receipt of the appraisal within three (3) business days of the report's completion.

If the original Lender will not transfer the appraisal or provide the transfer letter, then a new appraisal is required.

NOTE: Subject to FIRREA Requirements; if corrections are required, it is the Sellers responsibility to work with the previous lender to obtain them and ATM will not review.

6.6 PROJECT REVIEW WARRANTABLE

FNMA eligible warrantable projects are permitted. Site Condos meeting the FNMA definition are eligible for single-family dwelling LTV/CLTV. Maximum project exposure to ATM shall be $2,000,000 or 15% of project whichever is lower.

NOTE: UW Attestation and/or documentation clearly stating whether the property is a warrantable or non-warrantable condo must be delivered with the file. Lender to provide CPM approval or Condo Questionnaire as applicable.

6.7 PROJECT REVIEW NON-WARRANTABLE

Non-warrantable condominiums are eligible based on the following characteristics. See Credit Matrix for LTV restrictions.

NON-WARRANTABLE CONDOS	
CHARACTERISTIC	**EXCEPTION CONSIDERATIONS**
COMMERCIAL SPACE	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
COMPLETION STATUS	The project, or the subject's legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
CONDOTELS	• 50% of the total units in the project or subject's phase must be sold or under contract. • Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete. • Project may be subject to additional phasing • HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only • Maximum LTV/CLTV Purchase: 75% • Maximum LTV/CLTV R/T and Cash-Out: 65% • Minimum Loan Balance: $150,000 • Maximum Loan Amount: $1.5 million • Max DTI 50% or Min DSCR of 1 • Primary, Second Home and Investments • Investor concentration, within the subject project, may exceed established project criteria, up to 100% • Minimum square footage of 500 and at least 1 Bedroom required • Fully functioning kitchen – define as a full-size appliance including a refrigerator and stove/oven • Projects with names that include the words "hotel," "motel," "resort," or "lodge" are acceptable • Project must have obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines
DELINQUENT HOA DUES	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
INVESTOR CONCENTRATION	Investor concentration in project up to 60%. Higher percentages may be considered for investment properties when an established history of a high percentage of rental units in the condo project can be demonstrated.
HOA CONTROL	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA RESERVES	HOA Budget must include a dedicated line item allocation to replacement reserves of at least 8% of the budget.
LITIGATION	Pending litigation may be accepted on a case by case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.

NEW PROJECTS	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
SINGLE ENTITY OWNERSHIP	Single entity ownership in project up to 25%.

6.8 APPRAISAL

A full appraisal involves a complete inspection of the home, including the interior and exterior of the subject property. Acceptable appraisal report forms must follow FNMA and FHLMC standards which include Uniform Appraisal Data Set (UAD) Specifications and Field Specific Standardization Requirements. Additional requirements:

- Properties must be appraised within the 12 months that precede the date of the note. When the appraisal report is more than 120 days old, the appraiser must perform a recertification of value via FNMA 1004D or FHLMC Form 442 which includes inspection of the exterior of the property and review of current market data to determine whether the property has declined in values since the date of the original appraisal. Additionally, the investor reserves the right to require additional appraiser re- evaluation reports depending on age of documentation at the time of full loan delivery/purchase.
- A Uniform Residential Appraisal Report (URAR) with color photos is required.
- FNMA Form 1004 / FHLMC Form 70 is used for one-unit properties including individual units in Planned Unit Development (PUD) projects and Site Condos. FNMA Form 1073 is used for condominiums. And FNMA Form 1025 is used for 2-4 unit properties.

6.9 VALUATION OVERVIEW

ATM uses FNMA Guidelines as our minimum appraisal standards for all written appraisal reports. Reports must include/have, at a minimum, the following:

- Uniform Appraisal Standards
- Appraiser Independence
- Appraiser Competency
- Fair Lending Requirements
- Vendor Selection Process
- Acceptable Appraiser Practice Standards
- Compliance with the Uniform Standards Professional Appraisal Practice (USPAP), as established by the Appraisal Standards Board of the Appraisal Foundation
- Properties in excess of the predominant value of the subject market area are acceptable provided they are supported by similar comparable and also represent the highest and best use of the land as improved.
- See complete FNMA Guides at Selling Guide | Fannie Mae
- See complete USPAP Guides at http://www.uspap.org

Appraiser Independence

ATM expects to receive honest, unbiased professional opinions of value.

- Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties.
- ATM prohibits associates from asking appraisers to report a predetermined value or withhold disclosure of adverse features.
- All appraisals must be ordered through an Appraisal Management Company (AMC)
- ATM will not accept an appraisal from an appraiser who works for the lender, borrower or any parties affiliated with the transaction.
- All appraisals will be following the Appraiser Independence Requirements pursuant to the Dodd-Frank Wall Street Reform and the Consumer Protection Bureau Act of 2010. Compliance with the Appraiser-Independence Requirements will be reviewed by in independent third-party.

A LICENSED OR CERTIFIED APPRAISER MUST SIGN ANY REPORT PREPARED FOR THE LENDER IN ORDER FOR THIS LOAN TO BE ELIGIBLE FOR PURCHASE BY ATM.

Appraisal Review Requirements

A minimum of one full appraisal is required for loan amounts ≤ $2,000,000. For any loan amount over $2,000,000, 2 full appraisals are required. The lesser of the two appraised values is used for LTV calculation purposes. When only one full appraisal is required, a secondary appraisal review is also required as follows:

- A CU or LCA Score ≤ 2.5 is acceptable with no other valuation required. If the CU/LCA Score is > 2.5, a desk review from one of the following is required:
    - Collateral Desktop Analysis (CDA) from Clear Capital
    - Appraisal Risk Review (ARR) from Proteck
    - ARA from Computershare
    - CCA from Collateral Analytics
    - VRR from Homegenius (previously Red Bell)
    - Valreview from Veros Software
- If a desk review from the above vendors is less than 90% of the appraised value, then the LTV will be calculated using the lower desk review value.
- If a desk review cannot be obtained, then a second appraisal is required.
- In all cases where a second appraisal is required, an acceptable CU/LCA Score, or desk review is not required.
- All mortgage transactions located in a federally declared disaster zone, whether it is a purchase or a refinance, require a Disaster Inspection Report confirming no damage to the subject and no adverse impact to marketability. The practice of obtaining a Disaster Inspection Report should continue for a minimum of 90 days from the date of the disaster and display a completion date that doesn't exceed 15 days prior to the loan closing.
- On all Purchase Money Transactions, closing instructions should indicate that no credits for property conditions are permitted and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.

6.10 TITLE INSURANCE REQUIREMENTS

The purpose of title insurance is to provide evidence of ownership and the lawful possession of a property. It protects the owners (in the case of an owner's policy) and lenders (in the case of a mortgage loan policy) against loss if the chain of property is imperfect or against unknown encumbrance against the property. ATM requires coverage provided by American Land Title Association (ALTA) or an equivalent association. Either a Standard or Short Form Policy is acceptable. Short Form Policies are provided due to a shorter turnaround time, allowing a faster delivery to the secondary market.

Eligible title insurance must reflect the following:

- The effective date of the commitment should be dated within 120 days of the signing of the note and the mortgage. If the date exceeds 120 days, the title company must update the commitment with either gap coverage or an updated commitment. Please note that Texas loans must be within 90 days.
- Title insurance is required, the amount of the policy must be the same as the amount of the loan.
- All title vesting must be reviewed to insure it is as it appears on the application. All title holders are required to authorize the mortgage transaction which is accomplished by requiring all non-applicant title holders to sign certain closing documents.
- When title insurance is required on a property that is held in trust, the trust agreement must be reviewed and approved by the title company and Seller's underwriters. ATM will not allow loans that are held in an irrevocable trust.
- The definition of the estate should be Fee Simple
- For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing.
- The legal description for the property should appear as it does on the appraisal and the application. The tile report must contain the entire legal description and may be identified by lot and block or metes and bounds description.
- The original title commitment should be countersigned by an authorized person from the title company.
- Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment.
- Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid off and released at or prior to closing the loan. If any liens are to remain open, they must meet ATM's subordination guides.
- Liens and Judgments - Any liens (i.e., federal tax liens, mechanic's liens) or judgements must be paid off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar panel liens are to be subordinated or paid off. HERO liens must be paid.
- Real estate taxes and assessments are liens against the property that take precedence over all other liens. If the property owner fails to pay their taxes or assessments, then the county or city can sell the taxes to obtain the monies owed to them. Even if a lender has interest in the property, the taxes can be sold.

- If taxes on the subject property are due and payable within 30 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy.
- If a title company requires an escrow account when the due date is beyond 30 days (i.e., 45 days), then
- all parties must adhere to the title company's requirements.
- All borrowers must sign the title company's prepared escrow agreements at closing.
- Easements are rights that a person has on the property/land of another person. Examples of easements are public utility easements, mineral rights, beach rights and riparian rights. These will not affect our lien position and can remain as exceptions on the title policy.
- Encroachment is construction on the property of another (i.e., wall, fence, or a driveway). Encroachments listed on the preliminary title report can remain as an exception on the final title policy if the title company will insure against loss or damage caused by the enforced removal of the real property that is encroaching onto the property. However, if the title company will not provide insurance, then the encroachment must be reviewed by Seller's underwriter to determine if this will materially affect the value of the property/improvements or our security interest.
- Surveys - All survey exceptions must be cleared on all loan products. ATM will defer to the title company to advise on what is necessary to remove the survey exception.
- Homeowners Association Dues - HOA dues must be current or paid current at time of closing. A letter from the association is required stating that the applicant's dues are up to date, that there are no liens currently and that no liens have been placed on the subject property due to non-payment of dues.
- Lis Pendens - A legal notice that is recorded to show any pending litigation relating to the property. Anyone that is acquiring an interest in the property subsequent to the date of the notice may be bound by the outcome. All Lis Pendens are to be removed or the application will be denied.
- Rebuild in Coastal Areas - The application will be denied if the subject property is in a coastal area and cannot be rebuilt to its current density and use if destroyed.
- Oil and Gas Leases and Mineral Rights - ATM will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not provide for any surface rights. If a lease does provide for surface rights, the property will be ineligible for sale to ATM.
- Agreements such as private well and septic, private roads and shared driveways also require affirmative language and can remain as an exception on the title unless they relate to a public utility. Private well agreements need to be reviewed to determine whether the well is on the subject property or the rights to the well will be transferred with the title to the property. If this is not the case, the subject property may be considered ineligible for sale to ATM.

Unacceptable Title Defects can be, but are not limited to, the following:

- Open liens, judgements, taxes, or tax liens
- Non-clearance of a probated property
- Foreclosure
- Properties with unexpired redemption periods.

6.10.1 TITLE POLICY REQUIREMENTS

Only accredited title companies with an acceptable rating can provide title insurance and ownership reports.

Endorsements

ATM requires all applicable endorsements to be present in a Title Insurance Policy. Endorsements are available for title insurance policies only and they provide affirmative language and or protection to the lender for the specific exceptions being left on the title that typically occur due to property type. The following is a list of required endorsements:

- Comprehensive Endorsement Survey (ALTA Form 100 or ALTA 9)
- EPA Endorsement (ALTA 8.1)
- Condominium Endorsement (ALTA 4)
- PUD Endorsement (ALTA 5)
- Adjustable/Variable Rate Endorsement (ALTA 6)

Spousal Property Rights

Marital property law affects the ownership, control, and disposition of property during a marriage, upon divorce and upon the death of a spouse. Common law, community property and homestead rights all have an impact on how certain real property may be conveyed, encumbered, or transferred to a creditor to satisfy debt in case of a foreclosure. The initial and final CD to be signed and dated by non-spouse (refi's only).

Certain states require marital signatures on all transactions. Spouses that are not applicants should not be required to sign the promissory note. There will be times that we may require a spouse to sign necessary documents per state requirements for homestead rights.

Survey Requirements – Each loan will have:

- A survey of the property securing the loan; or
- A survey affidavit, acceptable in all respects to the title insurance company insuring the loan, such that the title insurance policy insuring the first mortgage encumbering the loan is without exception regarding any matter related to a survey including:
  - Location of improvements on the subject property
  - Location of easements on the subject property
  - Location of encroachments affecting the subject property, or the subject property's metes and bounds
- If a survey is included, the survey must have been certified, dated, and signed by a licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.
- Surveys must be reviewed by the lender for easements, encroachments, flood zone impacts and possible boundary violations.

6.10.2 TITLE VESTING

Fee Simple with Title Vesting as:

- Individuals
- Joint tenants
- Tenants in Common
- Inter-Vivos Revocable Trust
- Vesting in an Entity – requirements below:
  - Entity must be domiciled in a U.S. state.
  - Business structure is limited to a maximum of four (4) owners/members.
  - Personal Guarantees must be provided by all members of the Entity who qualify for the loan. However, if a borrower signs as an individual and not as a member, a personal guarantee is not required.
  - Each Entity member on the loan must sign the security instruments.
  - Each Entity member providing a personal guarantee must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member providing a personal Guarantee and their credit score, and creditworthiness will also be used to determine qualification and pricing.

NOTE: Vesting in a life estate is not allowed.

For each business type, the following documentation must be provided:

Limited Liability Company (LLC):

- Entity Articles of Organization, Partnership, and Operating Agreements as required.
- Tax Identification Number (Employer Identification Number – EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation to confirm.
- Certificate of Good Standing
- Certificate of Authorization for the person executing all documents on behalf of the Entity
- LLC Borrowing Certificate required when all members are not on the loan.

Corporation:

- Filed Certificate/Articles of Incorporation (including all amendments)
- By-Laws (including all amendments)
- Certificate of Good Standing (issued by the Secretary of State where the business is incorporated)
- Tax Identification Number (EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation to confirm.
- Borrowing Resolution/Corporate Resolution granting authority of signor to enter into a loan obligation.
- Receipt of current year franchise tax payment or CLEAR search (only required where applicable per state).

Partnership:

- Filed Partnership Certificate (if a general partnership, filing with the Secretary of State may not be required)
- Partnership Agreement (and all amendments)
- Certificate of Good Standing (issued by the Secretary of State where the Partnership is registered)
- Tax Identification Number (EIN). In any case where a sole proprietor is using SSN in lieu of EIN, provide UW cert or supporting documentation to confirm.
- Limited partner consents (where required by partnership agreement).

Borrower Types	Description
Primary	The borrower who is listed first on the application or the borrower who owns the majority interest in the entity in which the loan will be closed in the name of.
Co-borrower	Any borrower (other than the Primary) who is jointly responsible for repayment of the loan with the Primary Borrower.

All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.

NOTE: Official documentation issued by a CPA, a Third-Party Tax Preparer (excluding PTIN tax preparers), the state or IRS should be used to satisfy documentation requirements. Fillable PDF's (i.e W9's) or emails from borrowers are not sufficient.

6.11 HAZARD INSURANCE REQUIREMENTS/COND (HO6)

Hazard insurance must protect against the loss or damage of the property from fire and other hazards covered by the standard extended coverage endorsement. ATM requires hazard insurance protection on all loans.
Effective date showing on or before funding is required with proof of insurance. On all refinance transactions, if the coverage termination date is within 30 days of the closing, ATM will require evidence of continuing coverage. A loss payable endorsement is required for all loan transactions.

The HOI Policy must be effective for at least 60 days after the date of funding. Evidence of Insurance can be provided in one of the following forms:

- Policy
- Certificate of Insurance
- Insurance Binder

Evidence of Insurance Requirements:

- Names of the borrowers to reflect same name as on the Note/Security Instrument
- Property address matches the Note/Security Instrument
- For primary residence loans, mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage. For purchase loans, effective date must be on or before closing date
- Premium amount
- Coverage amount and deductible
- Loss payee clause as applicable
- Signed and dated by the agent

Disaster Policies

ATM permits loans that are secured by properties that are located within a declared disaster area or in an undeclared disaster area, either man-made or natural, subject to the following conditions:

- ATM reserves the right to require a written certification from the appraiser, a Disaster Inspection Report, which indicated that the value of the property has not been affected by any damage arising out of the disaster and that the subject property is in marketable condition and that there are no major repairs needed or detrimental conditions to the subject property.
- Borrowers are required to complete a Borrower Certification at time of closing on the physical condition of the property.

Deductibles

- Family Residences - The maximum allowable deductible, to include any separate wind-loss or other separate deductibles that apply to a specific property element, is 5% of the face amount of the policy.
- Condos, Co-ops, and PUDs - The maximum deductible amount for policies covering the common elements must be no greater the 5% of the face amount of the policy.
- For losses related to an individual unit in a co-op or PUD that is covered by a blanket policy; the maximum deductible is no greater than 5% of the replacement cost.
  - If there is a wind-loss deductible, then the deductible must be no greater than 5% of the face amount of the policy.
- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Determining the amount of required Hazard Coverage:

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft vehicle or explosions.

Hazard insurance policies that limit or exclude from coverage, in whole or in part, windstorm, hurricane, hail damages, or any other perils that would normally be included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such exclusions or limitations unless they have obtained a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.

Hazard Insurance coverage must comply with state and federal laws. It should be equal to the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer or reputable 3rd party source (i.e., CoreLogic);
- Estimated cost to replace as notated on appraisal delivered with loan file (Total Estimate of Cost-New)
- OR RCE from insurance provider/agent;
- The unpaid principal balance of the mortgage

If none of the above are met, then coverage that does provide the minimum required amount must be obtained.

6.12 MISCELLANEOUS

Fraud Reviews

Data integrity is crucial to having a quality loan file delivery and mitigation of fraud risk. All loans will be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.).

OFAC and Applicable Watchlists

ATM will confirm borrowers, entities as borrower, sellers, realtors, settlement company/agent, appraiser and appraisal company were ran against these lists. For refinances, the borrowers, entities as borrower, settlement company/agent, appraiser and appraisal company should be included in the search.

Closing Documentation

All closing documentation (i.e., Notes, Deeds of Trust, etc.) will conform to and be FNMA approved. The use of any non-FNMA documentation must receive prior approval from ATM.

Age of Documents

Credit bureau and liability documentation must be no more than 120 days old from the date the Note is signed and 120 days for appraisal(s). The Note date is utilized for document expiration for all funding types including escrow and non-escrow funding.

Property Taxes

For new construction or full renovation property, one of the following is required to document the proposed property taxes based on improvements:

- Documentation from title/settlement attorney detailing tax amount being used is based on current tax mileage and new build/improvements, OR
- Printout of county tax estimator using purchase price OR appraisal cost new estimate (if shown on appraisal), OR
- Calculation worksheet using mileage rate + purchase price OR appraisal cost new estimate (if shown on appraisal) needs to be provided.

ATM will not accept the previous year's tax bill that does not show improvements (i.e. only land is assessed).

Escrows

- Escrows for taxes and insurance will be required for all HPMLs (High Price Mortgage Loans) that are primary residences.
- Escrows for taxes and insurance will be required on Debt Consolidation Refinances
- Escrows are required for LTV's greater than 80%
- Flood Insurance must be escrowed regardless of LTV.

Maximum Financed Properties

- ATM's exposure may not exceed $5MM or 10 loans aggregate to any one borrower.
- A borrower may own up to 20 financed properties when the subject property is a primary or secondary home. This total includes the subject property.
- There is no limitation to the total number of financed properties a borrower may own when the subject property is an investment property.

7.0 EXCEPTIONS

Exceptions to ATM's Guidelines can be requested at the lender's discretion by contacting your Account Executive. The lender's underwriter should review the loan file to ensure prudent underwriting was exercised. Exception consideration is generally based on compensating factors. As such, all compensating factors should be documented on the exception request form.

ATM is under no obligation to purchase loans that meet these guidelines or has an exception on the loan file. Compliance with these guides does not create a commitment by ATM to purchase. Any loans that will be purchased are at the sole discretion of ATM.