AMERITRUST
MORTGAGE CORPORATION

GARNET SERIES
FULL GUIDELINES

1.11.2024

Contents

1. PROGRAMS

1.1 ELIGIBLE LOAN TERMS

1.1.1 TRID (NON-BUSINESS PURPOSE) LOAN TERMS

Fully Amortized Arm

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at the greater of the Fully Indexed Rate or Note Rate
  - 5/6 SOFR:
    - Caps: 2/1/5
    - 30-Year (360 Months)
    - 40-Year (480 Months)
  - 7/6 SOFR:
    - Caps: 5/1/5
    - 30-Year (360 Months)
    - 40-Year (480 Months)

Fully Amortized Fixed

- Qualifying Ratios= Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest Only

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term at the time of recast after the interest only period has expired, qualified at the greater of the Fully Indexed Rate or Note Rate with a 120-month Interest Only Term.
- Grade/FICO Qualifications or Restrictions, Refer to AmeriTrust Garnet Matrices.

- 5/6 SOFR: (2/1/5 Cap Structure)
  - 30-Year (360 Months)
  - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
  - 30-Year (360 Months)
  - 40-Year (480Months)

Fully Amortized Fixed Interest Only

- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Programs and terms are subject to change. See matrix and rate sheet for currently available loan terms.

1.1.2 TRID (BUSINESS PURPOSE) LOAN TERMS

Fully Amortized ARM

- Qualifying Ratios are based on PITIA payment with the principal and interest payments amortized over the loan term at Note Rate
- 5/6 SOFR:
  - Caps: 2/1/5
  - 30-Year (360 Months)
  - 40-Year (480 Months)
- 7/6 SOFR:
  - Caps: 5/1/5
  - 30-Year (360 Months)
  - 40-Year (480 Mo.)

Fully Amortized Fixed

- Qualifying Ratios = Note Rate
- 15-Year Fixed (180 Months)
- 30-Year Fixed (360 Months)
- 40-Year Fixed (480 Months)

Interest-Only

- Qualifying Ratios are based on ITIA at Note Rate with a 120 Month Interest Only Term
- Grade/FICO Qualifications or Restrictions, Refer to AMERITRUST GARNET MATRICES.
- 5/6 SOFR: (2/1/5 Cap Structure)
  - 30-Year (360 Months)
  - 40-Year (480 Months)
- 7/6 SOFR: (5/1/5 Cap Structure)
  - 30-Year (360 Months)
  - 40-Year (480 Months)

- 30-Year Fixed (360 Months)

- 40 -Year Fixed (480 Months)

Programs and terms are subject to change. Refer to matrix and rate sheet for currently available loan terms.

1.2 LOAN AMOUNT

Refer to AMERITRUST GARNET MATRICES for FICO, Grades, LTVs, and all other restrictions.

1.2.1 LOAN AMOUNT > $3MM

- **FTHB**: 24-Month income documentation options only; gifts not allowed; payment shock max of 200%
- **Gifts:** Owner-occupied only, after 10% from borrower's own funds
- **Housing History:** All information must be verifiable.
- **Limited Tradelines:** Not eligible
- **Listed for Sale:** Properties listed in the last 6 months not allowed.
- **Non-Occupants:** Not allowed; housing history must be verifiable.
- **Reserve Waiver:** Not allowed, and cash-out to cover reserves not allowed.
- **Seasoning:** 6 months seasoning required on cash-out loans.

1.3 MINIMUM FICO

Refer to AMERITRUST GARNET MATRICES for FICO, Grades, LTVs, and all other restrictions.

1.4 MAXIMUM LTV

Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

1.5 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Interested party contributions (IPC) may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If IPCs are present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced below. IPC includes funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the Real-Estate transaction held to the following.

1.5.1 TRID (NON-BUSINESS PURPOSE) LOAN TERMS

- Max 4% to LTVs > 80%
- Max 6% to LTVs ≤80%

1.5.2 NON-TRID (BUSINESS PURPOSE) LOAN TERMS

- Max 3% to ALL LTVs

1.6 ESCROWS - IMPOUND ACCOUNTS

1.6.1 OWNER OCCUPIED PRIMARY RESIDENCE / SECOND HOME

Impound accounts must be established for all Loans greater than 90% LTV(CA) & 80% LTV (all other states). Impounds are required on all HPML (higher priced mortgage loans) loans and may never be waived, regardless of LTV.

1.6.2 INVESTMENT PROPERTIES OR NON-TRID BUSINESS PURPOSE LOANS

Impound accounts are optional on Investment properties and

not required.

NOTE: Refer to rate sheet for any costs associated with

buyout.

1.7 ALLOWABLE AGE OF CREDIT DOCUMENTS

Credit documents may not be more than 90 days seasoned at the Note Date. The credit report should be dated no more than 120 days prior to the Note Date.

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180 days, a new appraisal report is required.

1.8 BORROWER STATEMENT OF OCCUPANCY

1.8.1 TRID (NON-BUSINESS PURPOSE)

Borrower must acknowledge the intended purpose of the subject property (“Primary Residence” or “Second Home” or “Investment Property”) by completing and signing an occupancy certification form.

1.8.2 NON-TRID (BUSINESS PURPOSE)

Borrower must acknowledge that the loan is business purpose loan by completing and signing the appropriate sections of the “Borrower Certification of Business Purpose.”

1.9 AUTOMATIC PAYMENT AUTHORIZATION (ACH)

It is recommended that the borrower execute an assignable Automatic Debit Payment Agreement (ACH) Form. The ACH form must include the bank routing number, account number, and type of account.

1.10 BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, AMERITRUST is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form

1.11 ABILITY TO REPAY/ QUALIFIED MORTGAGE RULE

1.11.1 TRID (NON-BUSINESS PURPOSE)

Loans may be designated as Non-Qualified or Qualified Loans. Both safe harbor and rebuttable presumption standards apply to these designations. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination:

I. Current or reasonably expected income or assets.
II. Current employment status
III. The monthly payment on the covered transaction
IV. The monthly payment on any simultaneous loan
V. The monthly payment for mortgage-related obligations
VI. Current debt obligations, alimony, and child support
VII. The monthly debt-to-income ratio or residual income
VIII. Credit history

1.11.2 NON-TRID (BUSINESS PURPOSE)

Business Purpose Loans are exempt from ATR/QM Restrictions & Rules.

1.12 INTEREST CREDIT

Loans closed within the first 7 days of the month may reflect an interest credit to the borrower.

1.13 STATE AND FEDERAL HIGH-COST LOANS

State and Federal High-Cost Loans are not allowed. The allowable points and fees threshold is the more restrictive of state law, as applicable, or 5.00%.

1.14 PREPAYMENT PENALTY

1.14.1 OWNER OCCUPIED, SECOND HOMES AND INVESTMENT PROPERTIES WHERE CASH-OUT IS USED FOR CONSUMER PURPOSE

Prepayment penalties are not allowed.

1.14.2 INVESTMENT PROPERTIES BUSINESS PURPOSE

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

- Six Months Interest
  - The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance.
  - The charge applies to loans that payoff due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period.
- 3%, 4%, or 5% fixed percentage
  - The prepayment charge will be equal to the fixed percentage and applied to the outstanding principal balance. The charge applies to loans that pay off due to sale or refinance.
- Declining structures that do not exceed 5% and do not drop below 3% in the first three years.
  - For example (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%)

    The prepayment charge will be equal to the percentage in effect and applied to the outstanding principal balance. The charge applies to loans that payoff due to sale or refinance.
- Refer to rate sheet for state specific details.

1.15 PROPERTIES LISTED FOR SALE

1.15.1 TRID (NON-BUSINESS PURPOSE)

Rate and Term Refinance:

- The property must be delisted at least one day prior to

  application date.

Cash-out Refinance:

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new

1.15.2 NON-TRID (BUSINESS PURPOSE)

Rate and Term Refinance:

The property must be delisted at least one day prior to application date.

Cash-out Refinance (One of the Following)

- The property must be delisted for at least 180 days (6 Months), measured from the listing expiration date to the new loan application date.
- Properties delisted for at least 90 days allowed with the following requirements:
  - Property must be leased with current lease covering at least the most recent three (3) months.
  - Three (3) months reserves required; cash-out proceeds cannot be used as reserves.
  - Minimum one year prepayment penalty required. Maximum LTV is the lower of 70% or program requirement.

1.16 ASSUMABILITY

Adjustable-Rate Notes may be assumable based upon the Note. In general, Fannie Mae Notes contain an assumable clause. If the Note shows an assumable clause, the verbiage in the Note and Closing Disclosure must match.

Fixed-Rate Notes are not assumable.

1.17 HOUSING COUNSELING

All borrowers who are paying off an existing reverse mortgage with a new first (forward) mortgage must complete a homeownership education course provided by a HUD-approved agency. Proof of course completion is required prior to closing.

1.18 PROPERTY INSURANCE

1.18.1 COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. 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 damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional insurance requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. Please refer to Fannie Mae Selling Guide B7-03-02 for more detailed information.

The insurance coverage must reflect one of the following:

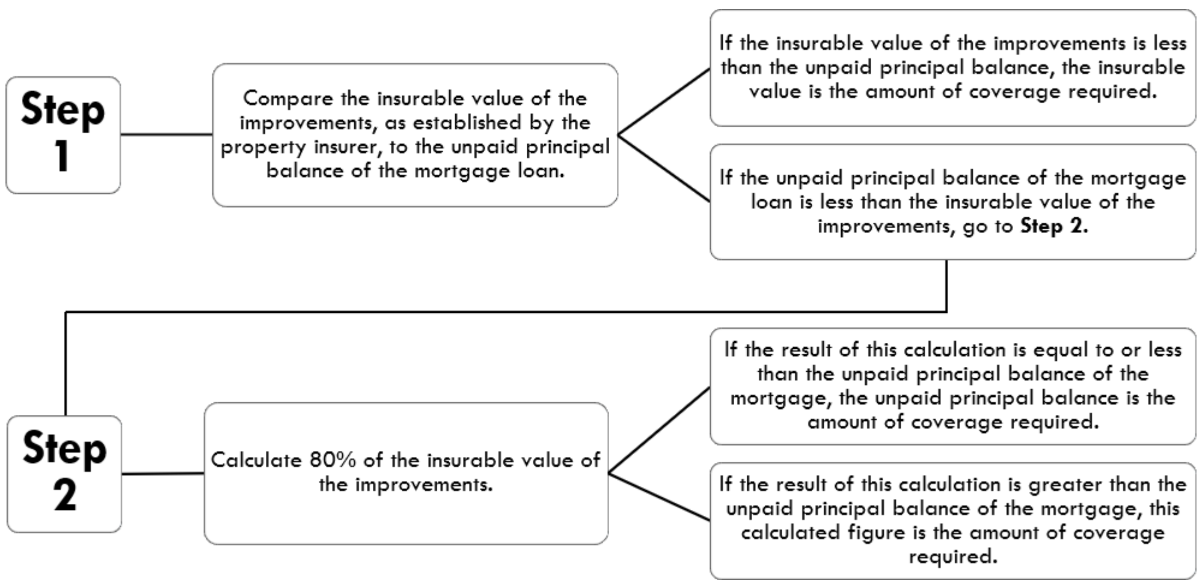
- 100% of the insurable value of the improvements, as established by the property insurer; or
- Determining the Amount of Required Property Insurance

The following table describes how to calculate the amount of required property insurance coverage:

STEP	DESCRIPTION
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.
STEP	DESCRIPTION
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Examples

Category	PROPERTY A	PROPERTY B	PROPERTY C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Principal Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	—	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B



For insurance not addressed in this section, defer to Fannie Mae requirements Section 2.0 – PROPERTY ELIGIBILITY.

2. APPRAISALS

2.1 APPRAISAL REQUIREMENTS

Full Interior/ Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The appraisal must be ordered through an Appraisal Management Company that complies with Appraiser Independence Requirements (AIR).

The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a re-certification of value is acceptable up to 180-days. After 180 days, a new appraisal report is required.

- Not eligible for approval:
  - Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality

rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines.

- AMERITRUST will consider if the issue has been corrected prior to loan funding with proper documentation.

- All properties must:
  - Be improved real property.
  - Be accessible and available for year-round residential use.
  - Represent the highest and best use of the property.
  - Not contain any health and safety issues

2.1.1 SECOND APPRAISAL

Second Appraisal is required when:

- Loan amount exceeds $1,500,000.
  - Appraisal must be ordered through an AIR compliant Appraisal Management Company (AMC)
  - ARR (Appraisal Risk Review) is required on the lower valued appraisal regardless of the SSR score.
- The transaction is a flip as defined in the Property Flipping section of this guide.
- As required under the Appraisal Review Products section of this guide
- Where more than one appraisal is required at least one appraisal must be ordered from an AIR compliant Appraisal Management Company (AMC)

When a second appraisal is required, the "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different Appraisal Management Company (AMC)/appraiser than the first appraisal.

Underwriter has discretion to accept differences between the two appraisals, as each appraiser may appraise a property differently, for example one appraiser may call a room an office when the other appraiser may call the same room a bedroom or one appraisal may state that there is 1000 sq ft. and the other appraiser measured out 980 sq ft. The Underwriter needs to assure that the qualifying value used to calculate the final LTV/CLTV is supported.

2.1.2 TRANSFER OF APPRAISAL

To transfer an appraisal, a transfer letter must be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. The letter should include the following:

- Prepared on the Letterhead of the original Lender.
- Current Date
- Borrower Name

- Property Address
- Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements
- Signed by an Authorized Representative
- Where more than one appraisal is required at least one appraisal must be ordered from an AIR compliant Appraisal Management Company (AMC)

2.2 APPRAISAL REVIEW REQUIREMENTS

2.2.1 APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file for loan amounts ≤ $1,500,000 unless the SSR Report shows a Fannie Mae Collateral Underwriter Score of 2.5 or less. Refer to Second Appraisal for loan amounts > $1,500,000 appraisal review product requirements. The options for review products include the following:

Submission Summary Report (SSR)

- Not available for multi-unit
properties

Collateral Underwriter

- The appraisal report must be submitted to the UCDP Application and SSR reports should be generated.
- Scoring:
  - If a CU score is present (will not show for units) and it is at 2.5 or below we may proceed without an enhanced desk review product unless required by underwriting

If the CU score is above 2.5 or there is no score, an enhanced desk review is required Enhanced Desk Review

Enhanced desk review products:

  - ARR (Appraisal Risk Review) from Protec/Stewart
  - CCA (Consolidated Collateral Analysis) from Consolidated Analytics
  - CDA from Collateral Desktop Analysis from Clear Capital
- A field review, drive by appraisal (Form number 2055) or second appraisal from an AIR compliant AMC is acceptable.
- The field review or 2nd appraisal may not be from the same company or appraiser as the original report.

If the Appraisal Review Product reflects a value more than 10% below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed:

- The next option is either a field review or second appraisal, and both must be from a different appraisal company and appraiser than the original appraisal; or
- If Variance is between 10.01% to 15%, using the lower value without an additional report, is acceptable.

An appraisal review is not required when a second appraisal is obtained as required per the guidelines unless requested by underwriting.

2.2.2 MINIMUM SQUARE FOOTAGE

Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

2.2.3 ACCESSORY DWELLING UNITS

An Accessory Dwelling Unit (ADU) is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling. ADUs must be subordinate in size to the subject property, must be on the same parcel and may be either site constructed or modular. When giving value if modular, the dwelling must be on a permanent foundation.

When reporting the living area of an ADU, it should not be included with the Gross Living Area calculation of the primary dwelling. It should be reported and adjusted on a separate line in the grid, unless the ADU is contained within or part of the primary dwelling with interior access and above grade. If a standalone structure does not meet the ADU minimum requirements, it should be treated as any other ancillary structure and included as a separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property.

Whether a property is defined as a one-unit property with an ADU or a two- to four-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal. When there is an ADU, the appraisal report must include a description of the ADU and analysis of any effect it has on the value or marketability of the subject property. The appraisal report must demonstrate that the improvements are acceptable for the market. An aged-settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.

Examples of ADUs Include (but are not limited to)

- Living area over a garage
- Living area in a basement, it must have outside access.
- Small addition to the primary dwelling with outside access

- A modular home (legally classified as real

property)

Zoning for an ADU:

If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:

- The lender/borrower confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
- The illegal use conforms to the subject neighborhood and to the market.
- The property is appraised based upon its current use.
- The appraisal report states that the improvements represent a use that does not comply with zoning ("illegal" use)

The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same non-compliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.

Calculating Income from ADU:

See Income Section for income qualifying on ADU Income.

2.2.4 RURAL PROPERTY

A property could be classified as rural if the following conditions exist:

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

The Underwriter has the discretion to determine if the subject property is a rural property by scrutinizing some of these following characteristics:

- The property is located on a gravel road.
- The majority of comparable properties are more than 5 miles from the subject property.
- Less than 25% of the surrounding area is developed.
- Distance to schools and amenities is greater than 25 miles.
- Surrounding area is Forest.
- The surrounding area is Agricultural.

- Does not have adequate utilities available in service.
- Property located in remote, isolated areas.

2.2.5 PERSONAL PROPERTY

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

2.2.6 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required per the appraiser must be completed prior to closing.

2.2.7 MIXED USE PROPERTIES

Owner Occupied & Second Home Occupancy

Mixed use properties are allowed per Fannie Mae Guidelines.

(Examples: Business use in addition to residential use, such as property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office):

- The property must be a one-unit dwelling that the borrower occupies as a principal residence or 2nd Home.
- The borrower must be both the owner and the operator of the business.
- The property must be primarily residential in nature.
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.

The property must meet appraisal requirements for mixed use properties under Fannie Mae Section B4-1.4-07. Appraisal must indicate:

- A detailed description of the mixed-use characteristics of the subject property
- That the mixed use of the property is a legal, permissible use of the property under the local zoning requirements.
- Any adverse impact on marketability and market resistance to the commercial use of the property
- The market value of the property is based on the residential characteristics, rather than of the business use or any special business-use modifications that were made.

2.2.8 INVESTMENT MIXED USE PROPERTIES

- Not allowed
    - Sober Living Homes are allowed in California per recent California Supreme Court Decisions and Legal Opinions. State law reinforces federal law prohibiting housing discrimination against persons with disabilities, including alcoholics and addicts in recovery. Under The Fair Housing Act (1988), The American with Disabilities Act (1990), Fair

Employment and Housing Act (1959), Government Code 65008 (a), (b) and (d)(2), and under the Code of Federal Regulations §100.201, it requires the states to abide by Federal Regulations and allows for the placement of these individuals in community settings rather than institutions. This section defines "handicapped" status protected by FHA, Fannie Mae, and ADA to include recovering alcoholics and addicts and prohibits mortgage lenders from discriminating from homeowner's that run such facilities. We, therefore, will allow for the financing of single and multi-family properties with the following restrictions:

- 1007 market rents will be used for qualifying purposes (lease agreements between multiple parties will not be considered or used)
- No modifications to the home unless allowed under the ADA are allowed.

- Sober Living Homes outside the state of California are not permitted.

Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

2.2.9 PROPERTIES WITH SOLAR PANELS

Any exceptions to coverage on the title insurance policy for recorded instruments relating to the solar panels must comply with Fannie Mae guides in Section B7-2-05, Title Exceptions and Impediments (02/06/2019).

2.3 INELIGIBLE PROPERTY TYPES

- Agricultural properties, including farms, ranches, and orchards.
    - Properties zoned agricultural/residential are eligible as long as not being used as agricultural.
- Assisted living facilities with medical services or other types of assisted care facilities.
- Boarding House or Bed & Breakfast
- Commercial Properties
- Co-op/Timeshare Hotels
- Cooperative Share
- Dome or Geodesic Homes
- Fractional Ownership
- Hawaii properties located in lava zones 1 and/or 2

- Homes on Native American Land (Reservations)
- Hotel or motel conversions (or conversions of other similar transient properties)
- Houseboats
- Log homes
- Manufactured or Mobile Homes
- Projects with registration services that offer rentals of units on a daily, weekly, or monthly basis.
- Properties not readily accessible by roads that meet local standards.
- Properties not suitable for year-round occupancy regardless of location
- Properties with zoning violations
- Vacant land or land development properties

2.4 PROPERTY LIMITATIONS

- A-Frame homes considered with upper management review.
- Log façade homes considered with like comparable and upper management review.

2.5 ACREAGE LIMITATIONS

- Maximum 25 acres
- Truncating not allowed

2.6 PROPERTY FLIPPING

- Unless exempt, obtaining an additional appraisal by a separate appraiser is required if:
  - The seller acquired the property 90 or fewer days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 10 percent; or
  - The seller acquired the property 91 to 180 days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement exceeds the seller's acquisition price by more than 20 percent.

For properties purchased by the seller that meet the above, a second appraisal from an AIR compliant AMC is required. The second appraisal must be provided to the borrower in accordance with either ECOA or HPML requirements, whichever apply.

- The second appraisal must be dated prior to the closing date.
- The property seller on the purchase contract must be the owner of record.
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) may be required by the underwriter if the appraisal is deemed deficient.

2.7 TITLE VESTING & OWNERSHIP

2.7.1 OWNER OCCUPIED AND SECOND HOME

Ownership must be fee simple, except as noted in the LEASEHOLD PROPERTIES section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity that plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (Corporation, LLC, or Partnership), the borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction. Only investment property loans can be vested in a corporation or LLC. Not available for leasehold condominiums.

Acceptable Forms of Vesting

- Individuals
- Inter-Vivos Revocable Trust
- Joint tenants
- Tenants in common

Land trusts and IRAs are not eligible.

2.7.2 INVESTMENT PROPERTIES

Ownership must be fee simple, except as noted in the LEASEHOLD PROPERTIES section.

On a refinance, at time of application, both the application and the preliminary title report must reflect at least one of either the borrower(s) or entity which plans to take title at closing. If a new spouse is being added, it can be done at the time of closing.

If the property is vested in the name of the entity (LLC, Corporation or Partnership), borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction.

Acceptable Forms of Vesting

- Individuals
- Inter Vivos Revocable Trust
- Joint tenants
- Tenants in common

2.7.3 LLCs, Partnerships, Corporations, and S Corporations

LLCs, Partnerships, Corporations, and S Corporations are each referred to

as an Entity.

Requirements for Vesting In an Entity

- Purpose and activities are limited.
- to ownership and management of real property
- Non-TRID Business Purpose Loans Only
- Entity must be domiciled in the United States
- Any business structure is limited to a maximum of 4 owners or members.
- All members, partners, or shareholders of the Entity, as the case may be, (each, a "Member," and up to a maximum of 4 members per Entity) must provide personal guarantees of the obligations of the Entity in a form to AMERITRUST.
- 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 guarantor.

  The application of each Member and such person's credit score and creditworthiness will also be used to determine qualification. The decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.

  No broker shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members of the Entity
- Each Member/Officer of the Entity must receive notice of the loan and its terms prior to closing (initial disclosures or equivalent)

The following Entity documentation must be provided:

- ***Corporation***
  - Certificate/Articles of Incorporation (filed)
  - Bylaws
  - Tax Identification Number
  - Borrowing Resolution/Corporate Resolution granting authority of signer to enter the loan obligation.
- ***Limited Liability Company (LLC)***
  - Entity Articles of Organization, Partnership, and Operating Agreements if any
  - Tax Identification Number
  - Certificate of Authorization for the person executing all documents on behalf of the Entity
  - Borrowing Certificate

- *Partnership*
  - Partnership Agreement
  - Partnership Certificate, if filed
  - Tax Identification Number
  - Limited partner consents (where required by partnership agreement)

- **Documents must be completed and signed as follows:**
  - Signed as an individual by all members of the Entity:
    - **Loan Application (1003)**
      - Completed for each Individual.
      - Section labeled "Title will be held in what Name(s)" should be completed with only the Corporation/LLC/Partnership name.
      - Signed by Individuals
    - **Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.)**
      - Completed and signed by Individual(s)
    - **HUD-1**
      - Completed and signed by Individual(s) Other Closing Documents (Final TIL, Borrower Certification of Business Purpose, etc.)
      - Completed and signed by Authorized Member(s)
    - **Personal Guarantee**
      - Completed and signed by Individual(s)
  - Signed (at least) by Authorized Signer for the Entity
    - **Note, Deed of Trust/Mortgage, and all Riders.**
    - **HUD-1**

2.7.4 INTER VIVOS REVOCABLE TRUST

An Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed here; Fannie Mae requirements should be followed where these guides are silent.

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

The trustee must include either:

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

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

The following *documentation* is required:

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

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file. The Attorney also needs to verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

If the property is located in the following states, a trust certification is acceptable (The below does not represent the AMERITRUST approved states list. Please Refer to AMERITRUST Licensed States.

2.8 LEASEHOLD PROPERTIES

In areas where leasehold properties are commonly accepted and documented via the Appraisal, loans secured by leasehold properties are eligible. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold properties and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy. Leasehold not available on condominiums.

Leaseholds must meet all Fannie Mae eligibility requirements (i.e., the term of the lease).

2.8.1 RESTRICTIONS

- SFR only
- Not allowed on Indian Leased Land

2.9 TEXAS TRANSACTIONS

2.9.1 OWNER OCCUPIED

Texas Purchase Loan

- Power of Attorney is not permitted.
- All transactions must require a valid

  survey.

Rate/Term Loan

Defined as the borrower receiving no cash in hand at closing – All brokers/MLOs eligible to originate rate/term transactions provided the loan meets standard eligibility criteria, all the necessary disclosures are provided to the borrower(s), existing loans meet the seasoning requirements, and recession time-periods are followed per the Texas Constitution.

Texas Equity 50(a)(6) Loan

Texas law determines whether or not a loan is a Texas Section 50(a)(6) loan.

- Loan may not close until 12 days after the latter of:
  - The date the borrower signs a loan application, and
  - The date the customer signs the "Notice Concerning Extension of Credit."
- The Borrower must be given a complete and accurate copy of the final HUD-1/HUD-1A or Closing Disclosure (CD) no later than one business day prior to loan closing; borrowers must sign Borrower's Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing.
- Both spouses must execute the mortgage; however, both spouses are not required to be parties to the Promissory Note (all individuals on title and their spouses must sign all Texas Cash out Documents)
- Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies; the documents may not contain blank spaces.
- All loans must contain a Texas Home Equity Loan Closing Instructions Addendum
- Loan must be closed by an attorney or Title Company or the Lender's office; closings by mail or phone are not permitted.
- The following forms must be executed and included in the final funding package:
  - Texas Home Equity Affidavit Agreement

- Texas Home Equity Discount Point Acknowledgment, if applicable
- Federal Notice of Right to Rescind
- In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead Property at closing with an appraisal attached to the Acknowledgment.
- Rural Homestead Affidavit, if the property is more than 10 acres.
- Notice of No Oral Agreements signed by lender and borrower.
- Texas Home Equity Receipt of Document Copies
- Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees

- Use the following forms at closing:
  - Texas Home Equity Security Instrument
  - Texas Home Equity Note
  - Texas Home Equity Condo Rider, if applicable
  - Texas Home Equity PUD Rider, if applicable

Title Policy must include T42 and T42.1

- Borrowers are legally permitted to obtain a Texas Cash Out Home Equity Loan one time per year, but 20% equity must always remain. 80% max LTV
- The Texas Constitution only regulates cash out home equity loan on a primary residence where there is a declared homestead as shown on title (these rules **do not apply** to 2ND homes or investment property)

Reduced Fee Limitations: The Texas State Legislature has revised the Texas Home Equity Law. The Texas Constitution has reduced the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation of fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law. Refer to amended section 153.5 of Texas 50(a)(6) regulations.

<u>Non-Texas Section 50(a)(6) Loan</u>

A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. A Non-Texas Section 50(a)(6) loan is eligible for purchase provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution, including:

- The refinanced loan is created at least one year after the initial Texas Equity 50(a)(6) loan was closed.
- The loan amount only covers the actual cost of the refinancing and does not provide the borrower with additional funds.
- The LTV/CLTV does not exceed 80 percent of the fair market value.
- The lender provides the borrower with certain disclosures within 3 business days of application

and 12 or more days before the loan is closed; and

- An affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded.

2.9.2 SECOND HOME, INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

The Texas Constitution only regulates cash-out home equity loans on a primary residence; the above rules do not apply to investment property.

2.10 LIMITATIONS ON FINANCED PROPERTIES

2.10.1 OWNER OCCUPIED & SECOND HOME

- AMERITRUST allows up to 20 financed properties including the subject property. All properties should be covered and included in the DTI calculations (commercial real estate excluded from DTI calculations)
- AMERITRUST's exposure to a single borrower shall not exceed $5,000,000 (not to exceed $10,000,000 in high-cost areas) in current UPB or six (6) properties.
- All financed properties, other than the subject property, require an additional two (2) months' PITIA in reserves for each property. Reserves are based upon the PITIA of the subject property (ITIA for Interest-Only loans)
  - Total reserve requirement is not to exceed twelve (12) months.
  - Not applicable to DSCR loans
- Refer to AMERITRUST reserve matrix for additional reserve requirements.

2.10.2 INVESTMENT & BUSINESS PURPOSE NON TRID LOANS

- No limit to the number of financed properties per borrower
- AMERITRUST's exposure to a single borrower shall not exceed $5,000,000 (not to exceed $10,000,000 in high-cost areas) in current UPB or six (6) properties.
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property (DSCR Program Excluded)
  - Reserves are based upon the PITIA of the subject property (ITIA for Interest-Only loans); total reserve requirement is not to exceed twelve (12) months. Refer to AMERITRUST reserve matrix for additional reserve requirements.

2.11 DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at https://www.fema.gov/disaster/declarations. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

2.11.1 APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property is required.

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

2.11.2 APPRAISALS COMPLETED AFTER DISASTER EVENT

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

2.11.3 DISASTER EVENT

- Loan is ineligible for closing until an inspection is obtained using one of the following options:
  - A Post Disaster Inspection report
  - The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value
- Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

2.12 CONDOMINIUMS

All projects deemed Warrantable must meet the appropriate standards set in Fannie Mae B4-2.1 General Information on Project Standards. Any projects not deemed Fannie Mae Warrantable can be considered under AmeriTrust Mortgage's Non-Warrantable projects.

2.12.1 INELIGIBLE PROJECTS

- Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing need.

- Common-interest Apartment
  - Project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants in common or by a homeowners' association.
- Condo Conversion completed less than two years.
- Hotel or motel conversions regardless of length of time since conversion
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e., timeshare.
- Houseboat project
- Manufactured Home project
- Multi-family units where single deed has ownership of more than one or all of the units.
- Non-conforming zoning (cannot be rebuilt to current density)
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability
- Project in which a single entity owns more than 25% of the total number of units; for projects that have 5-19 units, one owner is allowed to own two units.
- Project that is not well maintained or in poor physical or financial condition.
  - Excessive special assessments, low reserves, neglected repairs
- Project that is subject to the rules and regulations of the U.S. Securities Exchange Commission
- Project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association.
- Project units sold with excessive seller contributions that may affect the value of the subject property.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Project where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.
- Project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA.
- Timeshare or project that restricts the owner's ability to occupy the unit.

2.12.2 GENERAL PROJECT CRITERIA

Project Reviews

- Follow Fannie Mae guidelines.

Comparable Property Selection

- When the appraisal(s) use one or more comparable sales of units conveyed from the condo developer to private parties (or entities not controlled by the developer) then the appraiser must include additional comparable from competing condominium projects AND any unit owner resales of comparable units in the subject property project
- When the appraisal(s) use only sales reflecting unit owner resales of comparable units in the subject property then all sales comparable may come from the subject property project

Two to Four Unit Condo

- Projects will not require a project review provided the following are met:
  - The project is not a Condotel, houseboat, or timeshare or segmented ownership project.

The priority of common expense assessments applies. The maximum number of months of common expense assessments allowed is 12 as shown in the condo cert or the CC&Rs

  - The standard insurance requirements apply.
- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations.
- Project meets all Fannie Mae Insurance requirements for property liability and fidelity coverage.
- Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit unless "walls in" coverage with betterments and improvements is included in the Master Insurance policy.
- Underwriter to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.

Condos in Florida

- For loans secured by a condominium unit in the state of Florida, if the project is three (3) stories or more in height and is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889.
  - For projects not in compliance with this statute, financing is not eligible.
  - For projects meeting compliance, financing is eligible with a 5% LTV reduction.
- High Rise Condos must adhere to the following additional overlays:
  - Sales comparables from within the neighborhood must support and reflect the same positive and negative location characteristics.
  - High Rise projects are only eligible with one of the following:
    - Existing Fannie Mae PERS or HUD Review Approval Process (HRAP) full project approval OR
    - Internal approval subject to project meeting Full Condo Review standards (Full Review HOA Cert, Budget/Balance Sheet, CC&Rs required at all LTVs.)

Site Condos

- Site Condos meeting the FNMA definition are eligible (and follow guides as a single-family dwelling)

- Condo reviews are waived (appraisal needs to support single family residence)

Single Owner/ Investor Entity Concentration

- Maximum of 25% of project owned by any Single Owner / Investor Entity
- Maximum of 2 units owned by any Single Owner / Investor Entity if the project has fewer than 10 units.

New Projects

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

Projects that have a Fannie Mae PERS approval (or show as Fannie Mae approved in CPM) for the subject property Building, Phase or Unit can close per matrix recommendations and can be priced as "Warrantable."

Projects that are at least 50% sold/closed, but not yet 90% sold/closed (established) can be closed under the following "non-warrantable" terms:

- Up to 70% max LTV if ALL Amenities and ALL buildings/phases are 100% completed (except for buyer preference items)
- Up to 60% max LTV if ALL Amenities and Subject Property phase is 100% completed (except for

buyer preference items) All units closed under this policy must have an unconditional Certificate of

Occupancy (or local equivalent).

NEW CONDOMINIUM PROJECTS THAT MEET ALL THE FOLLOWING REQUIREMENTS ARE ELIGIBLE.

- **Assessments:** Developer must be responsible for assessments on unsold units built but not yet closed
- **Budget:** A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance
  - Budget must reflect adequate funding for insurance deductible.
- **Commercial Space** of up to 35% of building space is allowed when pre-sale exceeds 70%, otherwise limited to 25%; Commercial entity cannot control HOA.
- **Delinquent Assessments:** Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units.
- **Occupancy:** A minimum of 50% of the total number of units in the project are conveyed or

under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home

- **Subject Legal Phase** and any prior legal phases where units have been offered for sale are substantially complete, meaning that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete.

Required Documentation for New Project Approval

- Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar.
- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines
- Project legal documents: Declarations, Bylaws, and any Amendments

Established Projects

Established Projects, as defined by Fannie Mae, which meet all the following requirements are eligible for purchase.

- **OCCUPANCY:**
  - There is no non-owner-occupancy requirement if the subject unit will be Owner Occupied
  - If property will be used as an investment property, a minimum of 50% of the total number of units (Fannie Mae Warrantable) or 30% of the total number of units (AmeriTrust Criteria) in the Project must be conveyed to owners who occupy their unit as a Primary Residence or Second Home
    - The Project may not have delinquencies greater than 15%
    - The Project Reserve Fund must represent a minimum of 100% of Project's annual budget and
    - Appraisal must support the rental market.
  - If project does not meet the above requirements non-owner occupied limited to 49%
- **BUDGET AND RESERVE FUND BALANCE** (A minimum Reserve Fund balance of 30% of annual budget must be in place)

A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance; if not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:

- 7% to 9.99% requires a Reserve Fund balance of 50% of the annual budget.
- 5% to 6.99% requires a Reserve Fund balance of 75% of the annual budget.
- 3% to 4.99% requires a Reserve Fund balance of 100% of the annual budget. Refer to the non-

warrantable section in regard to the 3% exception.

- DELINQUENT ASSESSMENTS
  - Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project.
  - 60-day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income
- Commercial space is limited to 50% of building space.
  - Commercial entity cannot control HOA.

Required Documentation for Established Full Project Approval (> 90% LTV Primary and > 75% LTV NOO & Second Home) Established Project Certification:

- Current Annual Budget
- Current Balance sheet (dated within the last 60 days)
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

Required Documentation for Established Limited Project Approval (≤ 90% LTV Primary and ≤ 75% LTV NOO & Second Home):

- Established Project Certification
- Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines

NOTE: Limited Review HOA Certifications that identify special assessments for property repairs, budget issues or litigation on property defects or structural repair items will require full project approval documentation

2.12.3 NON-WARRANTABLE CONDOMINIUM PROJECTS

Refer to AmeriTrust Garnet Matrices for Max LTV/CLTV, Max Loan Amounts, FICO, Grades, LTVs, and other restrictions.

- **Commercial Space** up to 50% (see restrictions on new projects)
- **Investor Concentration** up to 50% in an Established project
- **Reserve Requirements** down to below 3% in an established Project (Refer to restrictions under Established Projects)
- The following are examples of what could be considered also non-warrantable:
  - If CPM shows project as “Unavailable”
  - If project has not been pre-approved by FNMA
  - If project is only approved by FHA (HUD) or VA
- **NOTE**: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)

2.12.4 CONDOMINIUM HOTELS

Condominium hotels, also referred to as Condotels or Condo Hotels, are individually owned units within a project that are managed and operated like a hotel. These projects include registration services which offer daily, weekly, or monthly rental terms. Condotel projects that meet the Condominium project standards, and the following overlays are eligible for purchase.

Refer to AmeriTrust Garnet Matrices for Max LTV/CLTV, Max Loan Amounts, FICO, Grades, LTVs, and other restrictions.

- Primary Residence, Second Home, and Investment eligible
- Gross rents must be reduced by 20% on all income types to for extraordinary costs such as housekeeping, advertising, front desk, associated with owning and operating Condotels.
- Subject Project requires a full condo project review and must meet the following requirements:
    - The minimum unit square footage is 500 square feet.
    - Each unit must have a fulling functioning kitchen with full-size appliances i.e., refrigerator, stove, and oven.
    - At least one bedroom is required, studio not allowed.
    - No Hotel/Motel conversions allowed.
    - Appraisals that give value to personal property will be rejected.
    - No pending litigation that relates to safety, structural soundness, habitability, or functional use. Any other litigation matters may be acceptable pending full condo review to FNMA guidelines.
    - Investor concentration may exceed project requirements; up to 100% allowed within the subject project.
- No more than 10% of the units within the subject project may be owned by any one entity, see matrix for maximum loans allowed per borrower.
- Florida Condotels:
    - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889.
        - For projects not in compliance with this statute, financing is not eligible.
        - For projects meeting compliance, financing is eligible with a 5% LTV reduction.

3. TRANSACTION TYPES

3.1 ELIGIBLE TRANSACTIONS

3.1.1 PURCHASE

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

3.1.2 RATE/TERM REFINANCE

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
  - Closed end loan, at least 12 months of seasoning has occurred.
  - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than $2,000.
- Buying out a co-owner pursuant to an agreement
  - Property must have been owned by current owners for the last 6 months. No recent changes in property or entity (LLC, Partnership or Corporation) ownership allowed.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- LTV/CLTV based upon the appraised value.

3.1.3 CASH-OUT – OWNER OCCUPIED & SECOND HOME

- A refinance that does not meet the definition of a rate/term transaction.
- Meets ownership seasoning requirements of ≥ 6 months.
- Prior cash-out transactions over 6 months seasoning are allowed.
- Seasoning waived if the lender documents the borrower occupied the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement [in order to close, ownership must be transferred out of the LLC and into the name of the individual borrower(s)]
- Free and clear properties must verify housing for six (6) months with proof ITIA has been paid on time by borrower.

- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out.
- All cash-out transactions must be of benefit to the borrower.
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves.
- Power of Attorney (POA) is not allowed.
- Loans not eligible for cash-out:
  - Properties listed for sale in the past six (6)-months.
  - A prior cash out transaction in the past six (6) months (except for the below exception)
    - A draw on a HELOC in the past 6 months will be considered cash out for this 6-month seasoning requirement
    - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least six (6) months PITIA (cash out cannot be used as reserves); enhanced appraisal review required
- Refer to AmeriTrust Garnet Matrices for cash-out limits and other restrictions.

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the loan meets seasoning requirements the appraised value will be used to calculate the qualifying LTV/CLTV.

- Properties must be owned for at least six (6) months to be eligible for cash-out programs, except for the above- mentioned for inheritance or divorce/separation or Seasoning Waiver
- An additional occupying borrower may be added under the following circumstances:
  - At least one occupying borrower already on title over six (6) months remains on title and on the new loan transaction.
  - The added borrower has been occupying the property for six (6) or more months.
- Sole occupying borrower may be added and qualified as the sole borrower under the following circumstances:
  - Verification of occupancy for six (6) or more months, and
  - Verification the borrower has made the mortgage payments directly to the mortgage company (must cover the time on title, minimum of six (6) months, maximum per program guidelines.
    - If the home is free & clear, verification the borrower has paid the property taxes directly to the taxing authority is required.
    - Must cover the time on title, minimum of six (6) months, maximum per program guidelines.
    - If no taxes were due/paid within the prior six (6) months, the loan is ineligible.
    - Taxes cannot be paid within 30 days prior to the application date.
    - There cannot be any outstanding delinquent taxes.

3.1.4 CASH-OUT – INVESTMENT & BUSINESS PURPOSE NON-TRID

- A refinance that does not meet the definition of a rate/term transaction.
- A mortgage secured by a property owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out.
- All cash-out transactions should be of benefit to the borrower.
- The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes (Cash-out proceeds for personal use permitted with Full Income Documentation or Bank Statement Income Documentation and must meet TRID and ATR Attestation.)
- Net Cash-Out (Cash-In-Hand) proceeds can be used for required reserves.
- Power of Attorney (POA) is not allowed.
- Loans not eligible for cash-out:
  - Properties listed for sale in the past six months unless requirements in section 1.19 meet (required pre-payment penalty)
  - A prior cash-out transaction in the past six months (except for the below exception)
    - A draw on a HELOC in the past 6 months will be considered cash out for this 6-month seasoning requirement.
    - Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least 6 Months PITIA (cash out cannot be used as reserves); enhanced appraisal review required.
- Refer to [AmeriTrust Garnet Matrices] for cash-out limits.

Cash-Out Seasoning

Defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the seasoning requirements are met the appraised value will be used to calculate the qualifying LTV/CLTV.

- Properties must be owned for over six months to be eligible for Cash-Out loan programs, except for the above- mentioned for inheritance or divorce/separation.
- Additional borrower(s) may be added under the following circumstances:
  - At least one borrower already on title over 6 months, remains on title, and on the new loan transaction.
- New sole occupying borrower(s) may be added and qualified as the sole borrower(s) under the following circumstances:
  - New Sole borrower has been on title for six or more months, and
  - Verification the borrower(s) has/have made mortgage payments directly to the mortgage company (must cover the time on title, minimum of 6 months, maximum of program guidelines)
    - If the home is free and clear, verification the borrower(s) has/have paid the property taxes

directly to the taxing authority.

- Must cover the time on title, minimum of 6 months, maximum of program guidelines.
- If no taxes were due/paid within the prior six months, the loan is ineligible (it cannot be paid within 30 days prior to the application date and cannot have any outstanding delinquent taxes)

3.1.5 DEBT CONSOLIDATION PROGRAM - OWNER OCCUPIED

A cash-out transaction meeting the below requirements follows the Rate/Term LTVs on the AmeriTrust Garnet Matrices.

- Mortgage and non-mortgage debts (including delinquent taxes) are paid off and total monthly revolving and installment debt payments are lowered by at least 10%
- Closing costs are recouped within 60 months.
- Cash in hand may not exceed $5,000 or 2% of the loan balance, whichever is lower.
- The closing documents must reflect the paid off debts.
- Reserves reduced to 1-month PITIA when all above

requirements are met Investment & Business Purpose Non-

TRID Loans Ineligible

3.1.6 DELAYED FINANCING-OWNER OCCUPIED & SECOND HOME

Borrowers who purchased the subject property within the last six (6) months (measured from the date purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all the following requirements are met (Refer to FNMA B2.1.3.03 DELAYED FINANCING EXCEPTION).

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction.
- Borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B.2.2.01 GENERAL BORROWER ELIIBILITY REQUIREMENTS of the FNMA Seller Guide
- The original purchase transaction is documented by a settlement statement, which confirms no mortgage financing was used to obtain the subject property (a recorded Trustee's Deed or similar alternative confirming the amount paid by the Grantee to the Trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale)

Preliminary title search or report must confirm there are no existing liens on the subject property.

- Sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or HELOC on another property)
- If source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement

statement for the refinance transaction must reflect that all cash-out proceeds are used to pay off or pay down, as applicable, the loan used to purchase the property.

- Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculations 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.

- The new loan amount cannot be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met (cash-out pricing is applicable; Refer to AMERITRUST (Non- QM) Matrix for cash in hand restrictions)
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

3.1.7 DELAYED FINANCING - INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Borrowers who purchased the subject property within the last six (6) months (measured from the date on which purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met. (Refer to FNMA B2-1.3-03 Delayed Financing Exception.)

Requirements for Delayed Financing

- The Original Purchase Transaction was an arm's-length transaction.
- For this refinance transaction, the borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in B2-2-01, GENERAL BORROWER ELIGIBILITY REQUIREMENTS of the FNMA seller guide.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property.

  A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.

  The Preliminary title search or report must confirm that there are no existing liens on the subject property.
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or

pay down, as applicable, the loan used to purchase the property.

- Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
- Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable. Refer AMERITRUST (Non-QM) Matrix for cash in hand restrictions
- Business Purpose Non-TRID (DSCR) Loans only - Properties unleased/vacant for greater than three (3) months must follow Unleased Property LTV/CLTV Restrictions and Cash in Hand Limit for Vacant Properties. Refer to AMERITRUST (Non- QM) Matrix.
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs.

3.1.8 HEMP FARMING ACT OF 2018

Cannabis/Marijuana businesses are ineligible for financing due to federal restrictions.

3.1.9 LEASE WITH OPTION TO BUY – OWNER OCCUPIED & SECOND HOME

Lease with Option to Buy (also called Lease Option or Lease Option to Purchase) is an agreement to lease a property for a specified period of time at an agreed-upon monthly rent payment, in which a portion of the payments, in excess of market rents, is applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, he/she may execute the option to purchase the property at the sales price agreed upon in the Leas Option to Purchase Agreement.

Lease Option Stipulations

All Lease Option to Purchase transactions require all of the following:

- All parties to the transaction must execute the agreement.
- The agreement must disclose the time period of the option to purchase, amount of earnest money deposit/down payment, and the terms of the monthly rental payments.
- The terms of the monthly rental payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited toward the down payment via comparison to fair market rents (Single Family Comparable Rent Schedule Fannie Mae Form 1007)

- Proof of the borrower's earnest money for down payment via a deposit (canceled check)
- Copy of canceled checks (front/back) for the monthly rent payment covering the most recent twelve (12) months

Lease Option LTV Calculation

A Lease Option is always a purchase transaction; therefore, is required to issue a Purchase Loan Estimate (LE) and Closing Disclosure (CD) (versus the Refinance version of these disclosures). AmeriTrust will calculate a Lease Option LTV using the current reconciled market value in lieu of the purchase price.

- The value used for calculating LTV is the lesser of the Purchase Price or Appraised Value if:
  - The borrower's Earnest Money Deposit (EMD) is less than three percent (3%) of the sales price, or
  - The Lease Option Agreement was executed within the last twelve (12) months.
- The value for determining the LTV is the current Reconciled Market Value if:
  - The borrower has occupied the subject property for the last twelve (12) months; and
  - The Lease Option Agreement was executed more than twelve (12) months ago; and
  - The borrower has equal to or greater than three percent (3%) of the sales price invested by:
    - EMD/Down Payment, or
    - The borrower provided property improvements with receipts for materials as well as a detailed list of all such improvements and time to complete.

Lease Option Restrictions

Lease Option transactions that do not involve an EMD/Down Payment or property improvements including receipt(s) for materials and/or monthly rent in excess of proven market rents are not considered a Lease Option to Purchase and must comply with standard purchase transaction requirements.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.1.10 DEPARTURE RESIDENCE

A departure property is defined as the owner-occupied residence the borrower resided in prior to the purchase of the current owner-occupied residence. Seventy-five percent (75%) of the market rents may be used to offset the PITIA payment of this property and is determined by form 1007 Market Rent Survey completed by a licensed appraiser. Surplus rents in excess of the PITIA payment may be used as income.

One hundred percent (100%) of the rents may be used to offset the PITIA payment of the property if documented by both of the following:

- Copy of executed rental agreement; and
- Proof of receipt of security deposit.

Investment & Business Purpose Non-TRID Loans are ineligible.

3.2 NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

3.2.1 NON-ARM'S LENGTH TRANSACTION

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

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

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

3.2.2 INTERESTED PARTY TRANSACTION

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

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

3.2.3 ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTION

This list of eligible non-arm's length and interested party transactions is for example purposes only and may not include all eligible scenarios.

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction.
  - Commission earned by buyer/borrower may be used for down payment, closing costs, or monthly PITIA reserves.
- Seller(s) representing themselves as agent in real estate transaction.
- Mortgage Broker/Lender Owner completing their own real estate transaction:
  - Any compensation charged (LPC or BPC will be considered cash out and therefore ineligible) however, a reasonable processing fee may be charged.

  - A different LO must have taken the 1003 application.
- Employee of mortgage Broker/Lender loan:
  - Any compensation charged (LPC or BPC will be considered cash out) however, a reasonable processing fee may be charged.
  - A different LO must have taken the 1003 application.
- Renter(s) purchasing from Landlord:
  - 12 months cancelled checks or bank statements to prove timely payments required.
  - A private party VOR is not acceptable.
  - A VOR obtained from a property management company is acceptable.
- Purchase between family members
  - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
  - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout.
- Employer to employee sales
  - Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout.
  - Full Doc loans only with valid transcripts
  - If a borrower was not on the job long enough to obtain at least one year of transcripts, loan will only be eligible if VOE is reporting through the Work Number or similar verification service.
- Family Sales. A family sale is not intended to be a bailout of a family member who has had difficulties making their mortgage payment.
- Must provide a 12-month mortgage history on existing mortgage securing subject property confirming the sale is not a foreclosure bailout.

3.2.4 NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS

- Borrower to provide cancelled checks verifying the earnest money deposit.
- Gift of Equity: Maximum LTV/CLTV – Refer to AMERITRUST GARNET MATRICES
- Not available on Premier
- For Sale by Owner (FSBO) transactions must be carefully scrutinized
- Property trades between buyer and seller not allowed.

4. BORROWER ELIGIBILITY

4.1 INELIGIBLE BORROWERS

- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction.

- Irrevocable Trust
- Land Trust

4.2 NON-OCCUPANT CO-BORROWERS – OWNER OCCUPIED ONLY

- Eligible transactions limited to Purchase and Rate & Term only.
- Income of Occupying borrower(s) must exceed the subject PITIA.
- ITIN borrowers not allowed.
- Primary Residence Only
- Second Home, Investment & Business Purpose Non-TRID Loans not allowed.
- The non-Occupant Co-borrower cannot be considered the primary wage earner regarding credit

4.3 FIRST TIME HOMEBUYERS – OWNER OCCUPIED ONLY

The following requirements apply to first time homebuyer (FTHB) transactions:

- Primary residence only. Second Home, Investment & Business Purpose Non-TRID Loans not allowed.
- 12-month rental history required reflecting 0x30
    - Rental history is not required for borrowers living rent free (Refer to the Housing History section of this guide for restrictions on borrowers living rent free)
- Payment shock limited as shown on the following table:

CREDIT SCORE	> 45% DTI	≤ 45% DTI
≥ 700	Payment shock not applicable	Payment shock not applicable
≥ 660	300% current housing	Payment shock not applicable
< 660	Not allowed	300% current housing

Payment Shock = (Proposed Housing Payment /Present Housing Payment) * 100

AMERITRUST will use prudent judgment in evaluating any payment shock implications and the ability of the Borrower to repay the new mortgage loan. Payment shock exceeding acceptable limits will be reviewed case by case and must be accompanied by a documented history of saving which supports the borrower's ability to handle the increased payment.

4.4 RESIDENCY

Eligible:	• U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien • ITIN
Ineligible:	• Applicants possessing diplomatic immunity. • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • US Citizens living abroad. • Any borrower is prohibited from purchase and ownership of real property in part by state and federal acts and/or statutes enacted by a legislative body. • Any parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.

Refer to Fannie Mae guidelines for all definitions of eligibility status and the AmeriTrust Garnet Matrices for additional restrictions.

4.4.1 U.S. CITIZEN

Eligible without guideline restrictions.

4.4.2 PERMANENT RESIDENT ALIEN

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

- Acceptable evidence of permanent residency includes the following:
  - Alien Registration Receipt Card I-151 (referred to as a green card)
  - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card)
- Eligible without guideline restrictions

4.4.3 NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. AmeriTrust purchases and allows loans to be made to non-U.S. citizens who are lawful permanent or non-permanent residents of the United States under the same terms that are available.

to U.S. citizens. A non-permanent resident alien must document and prove that they are legally present in the country. They must have a valid social security card/number. Borrowers without a valid social security number are not allowed (Refer to ITIN Requirement for someone that does not possess an SSN but has a Tax ID Number.

Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.

DIPLOMATIC IMMUNITY

Due to the inability to compel payment or seek judgment, loans to individuals who are not subject to U.S. jurisdiction are ineligible. This includes embassy personnel with diplomatic immunity. Verify the borrower does not have diplomatic immunity by reviewing the visa, passport, or the U.S. Department of State's Diplomatic List.

All nonpermanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). A copy of the unexpired visa (refer to Expired visa requirements below) or EAD must be included in the loan file.

VISA TYPES ALLOWED

All non-permanent resident aliens must provide evidence of a valid, acceptable visa. A copy of the visa must be included in the loan file evidencing one of the following visa classifications:

- A Series (A-1, A-2, A-3): these visas are given to officials of foreign governments, immediate family members and support staff; only those without diplomatic immunity, as verified on the visa, are allowed.
- E-1 Treaty Trader and E-2 Treaty Investor: this visa is essentially the same as an H-1 or L-1; the title refers to the foreign country's status with the United States
- E-3: these visas are given to Australian nationals employed in a specialty occupation.
- G Series (G-1, G-2, G-3, G-4, G-5): these visas are given to employees of international organizations that are located in the United States; some examples include the United Nations, Red Cross, World Bank, UNICEF, and the International Monetary Fund (verification the applicant does not have diplomatic immunity must be obtained from the applicant's employer and/or by the viewing the applicant's passport)
- H-1 Temporary Worker (includes H-1B): this is the most common visa given to foreign citizens who are temporarily working in the United States
- H-4: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified H- 1 visa holder; when income is being used to qualify, a current (unexpired) Employment Authorization Document (EAD) issued USCIS is also required.

- L-1 Intra-Company Transferee: An L-1 visa is given to professional employees whose company's main office is in a foreign country.
- L-2: these visas are given to dependents (spouse and unmarried children under 21 years of age) of a qualified L- 1 visa holder; when income is being used to qualify, a current (unexpired) EAD issued by USCIS is also required.
- O-1A: individuals with an extraordinary ability in the sciences, education, business, or athletics (not including the arts, motion pictures or television industry)
- O-1B: individuals with an extraordinary ability in the arts or extraordinary achievement in motion picture or television industry
- O-2: individuals who will accompany an O-1 artist or athlete to assist in a specific event or performance.
- TN, NAFTA visa: used by Canadian or Mexican citizens for professional or business purposes.
- TC, NAFTA visa: used by Canadian citizens for professional or business purposes.

EMPLOYMENT AUTHORIZATION DOCUMENT (EAD)

A current (unexpired) EAD issued by USCIS may be provided in lieu of a visa. If the EAD expired within six (6) months, one of the following must also be provided:

- Documentation of one previous EAD renewal
- If there are no prior EAD renewals, documentation from USCIS confirming the likelihood of renewal.

C-33 WORK PERMIT/DACA

- Allowed refer to the AmeriTrust Garnet Matrices

All standards for determining stable monthly income, adequate credit history and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are non-permanent resident aliens. US credit requirements must be met and are treated the same as a Permanent Resident Alien and U.S. Citizen.

4.4.4 ITIN REQUIREMENT

The ITIN loan program is for borrowers living in the US, who have never been issued a US Social Security number. Non- Permanent resident aliens, who have been issued US Social Security numbers, refer to the NON-PERMANENT RESIDENT ALIEN section of this guide.

Any Effective July 1, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person or entity from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.

- ***Eligibility***
  - Loan file must contain a copy of the original ITIN letter issued by IRS.
  - Credit reports must be pulled utilizing borrower's ITIN number issued by the IRS.

- Vested to natural persons only.
- Non-married borrowers must document that they have lived together for the last two years.
- Must own Primary Residence for at least 12 months to be eligible for a Cash-Out Refinance or at least 6 months for a Rate & Term Refinance
- Non-Occupant Co-Borrowers are not allowed on an ITIN program.

- ***Credit***
  - Borrowers must meet standard tradeline requirements. Borrowers who do not meet the standard tradeline requirements may be eligible when satisfying the reduced tradeline requirements listed below.
  - Borrowers with no Housing History or living rent-free are not allowed if FTHB, a free and clear home is not considered living rent free or no housing history. If borrower recently sold their home and waiting to buy new home, not considered living rent free or no housing history.
  - Tradelines must be reporting based on the ITIN issued by the IRS; if any social security numbers or other numbers are reflected on the credit report, the underwriter must ensure the tradelines are reported under the ITIN or the ITIN was issued before the first tradeline was established or tradelines **used to qualify** were established from the date of issuance or renewal date of the ITIN.
    - If tradelines reported are verified per the credit report under the ITIN (no SSN shows on the credit report) no further action is required
    - If original ITIN issuance letter from IRS can be obtained and is dated prior to any tradelines on credit, credit will be considered acceptable with no further action.
    - If a renewal letter from the IRS can be obtained and it is dated prior to any tradelines used to meet tradeline qualification requirements, credit will be considered acceptable with no further action.
    - If original or renewal letter cannot be provided or tradelines cannot be verified as reported under the ITIN, additional documentation must be obtained to show ITIN issuance pre-dates the oldest tradeline on the credit report.
      - Example such as but not limited to: Original tax year filing with ITIN and tax transcript for that year (full doc loans only); or
      - Credit report stripped of any tradelines associated with the erroneous SSN(s)
    - Married Borrowers do not need to individually meet tradeline requirements; their combined credit will be considered when evaluating acceptable tradelines.
- If the borrower does not have the required active tradelines reporting, they may use up to 2 non-traditional credit tradelines to meet the minimum tradeline requirement in addition to at least 1 traditional tradeline (must have minimum of 1 traditional tradeline before using non-traditional)
- Refer to AmeriTrust Garnet Matrices for Grade restrictions.
- Non-traditional credit references include but are not limited to:
  - Auto and renter's insurance
  - Childcare from a reputable and known entity (KinderCare, etc.)

- Installment loan payments not listed on credit report.
- Lease payments for durable goods (i.e., auto)
- Local store payments (department, furniture, appliances)
- Non-payroll deducted medical and life insurance.
- Rent-to-own contracts (e.g., Rent-A-Center)
- School tuition
- Utilities (electricity, water, gas, phone, cable)
- VOR/VOM reported on credit or, received directly from an institutional management company/servicing company that can be verified via third party sources; if none exist, then 24 months of consecutive cancelled checks/money orders is an acceptable alternative.

- ***Income:***
  - 12-Month Full Documentation or 12 months Bank Statements only (24 months full doc or bank statements if required by the Underwriter); NOTE P&L Statement with 3 Months Bank Statements, W-2 Only, VOE Only, and 1099 Only loans are not allowed
  - Personal tax returns are required and must reflect the ITIN on all ITIN loans unless Self Employed Bank Statement loan.
    - Recently amended returns are not accepted if they include a higher income than the original 1003 but will be accepted if the sole purpose were to add the ITIN.
  - Paystubs or W-2s should not be submitted unless they show the ITIN; a written VOE may be used instead.
  - Seasonal employment is an unacceptable source of income due to ITIN borrowers being ineligible for unemployment during off-season periods.
  - Bank statements loans require a copy of either the Issuance letter or the Renewal letter.
  - Required Photo Identification (must provide at least two of the following to validate identity):
    - Consular ID Card (even if expired)
    - Non-U.S. Driver license
    - Passport from Country of Origin (even if expired)
    - State issued ID.
    - U.S. Driver License
    - U.S. Visa (even if expired)

5. CREDIT

5.1 CREDIT REPORTS AND CREDIT SCORE

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility and credit score selection. The following exception is allowed:

- 12 Month Full Doc (or 24 Months if required)
- 12 Month Bank Statements (or 24 Months if required)

- Use Decision Score for the Primary Wage Earner
- Any Co-Borrower Score must be a minimum of 600.

- Decision Score: All borrowers must have a credit score.
  - Minimum of 1 borrower with 2 credit scores (all three repositories must be attempted)
  - Must use the lower of the two credit scores or median of the 3 credit scores generated unless one of the following occurs:
    - **For multiple borrowers:**
      - Full Doc and Bank Statement: Use the Decision Score for the primary wage earner for a Full Doc or Alt-Doc loan; all borrowers must have a minimum Credit Score of 600
      - All Other Income Documentation Options: Use lowest Decision Score if only 2 scores or median of three scores amongst the borrowers; all borrowers must have a minimum Credit Score of 600
        - When vesting in an entity (Non-TRID Business Purpose Loans only), the decision score of the member with the highest percentage of ownership is used. If all members have equal share of ownership, the lowest decision score among the members is used. All members must have a minimum credit score of 600.

For Frozen Credit, Refer to Fannie Mae Guidelines B3-5.1-01.

5.2 LOAN INTEGRITY & FRAUD CHECK

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

5.3 CREDIT INQUIRIES

Any credit inquiries on the borrower's credit report in the last 90 days must have documentation signed by the borrower explaining the inquiry and attestation of no new credit was established. If new credit was established borrowers must provide documentation on the current balance and payment and qualify accordingly. It is recommended the underwriter do additional diligence as necessary to ensure there is no undisclosed debt.

5.4 HOUSING HISTORY

Mortgage/rental history is required for most AMERITRUST programs. If a borrower’s mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12-month history (VORs and VOMs from servicing/mortgage companies and companies/management companies, etc., cancelled checks, mortgage/rental statements including payment history, etc.) should be provided. See matrix for LTV restrictions for accepting private party VORs. All loans held and/or serviced by the submitting broker, lender or banker that will be paid off through our transaction will require 12 months canceled checks. Bank statements in lieu of canceled checks may be allowed at the underwriter's discretion.

Borrower mortgage and/or rental history may reflect late payments based on Documentation Option. Refer to AmeriTrust Garnet Matrices for requirements. All housing late payments must be cured at the time of application and remain paid as agreed through closing.

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

Owner occupied properties: On owner occupied properties where the mortgage rating is in the name of the non-borrowing spouse and both are residing in the home together, the mortgage rating will be required and deemed acceptable for housing history requirements.

Second home and investment properties: Ratings in the name of non-borrowing spouse are not acceptable unless a joint account has been used to make the payments.

Borrowers who live rent-free are not allowed if the initial 1003 reflects any rent amount listed. Borrowers who cannot validate and verify that they live rent-free are not allowed.

Borrowers who can validate and verify that they live rent-free or borrowers without a complete 12-month housing history are allowed with the following restrictions:

- Full documentation and bank statement
  - Primary Residence only
- Select NQM ineligible.
- DSCR Experienced Investors only
- 5% minimum borrower contribution
- Any available portion of a 12-month housing history must be paid as agreed.
- Borrower(s) who own their primary residence free and clear are not considered living rent free.
- Borrower(s) who sold a primary residence within the past 6 months and are currently residing rent free until subject transaction closes, are not considered to be living rent free and a Gap Housing history is not required.

Refer to AmeriTrust Garnet Matrices for further guidance.

5.5 CONSUMER CREDIT

5.5.1 CONSUMER CREDIT HISTORY

Any delinquent account must either be brought current or paid off at closing.

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

5.5.2 TIMESHARE

Timeshare obligations will be treated as a consumer installment loan.

5.5.3 CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

- Accounts with a cumulative balance greater than $5,000 must be paid in full prior to or at closing unless they exceed the state statute of limitations for debt collection.
- Medical collections/charge-offs may remain open.
- A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

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

- Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions)
    - If there is no payment, use 5% of the balance.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.
- **<u>DSCR Loans Only</u>:** Collections and Charge-offs can be left open when Mortgages are paid as agreed and LTV is 65% or less (Refer to Matrices for Exclusions).

5.5.4 CONSUMER CREDIT COUNSELING SERVICES

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

5.5.5 JUDGMENT OR LIENS

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

5.5.6 DELINQUENT INCOME TAX

All delinquent tax (federal, state, local) must be paid off prior to or at loan closing. Tax liens and delinquent tax debt that has not become a lien, that does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met:

- The file must contain a copy of the repayment agreement

- A minimum of 2 payments were made under the plan with all payments made on time.
- If a lien: The balance of the lien must be included when determining the maximum CLTV for the program.
- If a lien: Refinance transactions require a subordination agreement from the

taxing authority

Purchase Money Transactions

- A copy of the repayment agreement is obtained.
- A minimum of 2 months elapsed on the plan and evidence of timely payments for the most recent 2 months is provided.
- The maximum payment required under the plan is included in the debt-to-income ratio.
- The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien with no exception to final title policy, and (b) subordination agreement from IRS, when necessary
- Maximum DTI of 50%
- Evidence of two timely payments is not required if two months have not elapsed since entering into the repayment agreement, the balance owed is for the current tax filing year and is less than or equal to 5% of the property value.

- **If a Lien:** The balance of the lien must be included when determining the maximum CLTV for the program.
- **If a lien**: Refinance transactions require a subordination agreement from the taxing authority.

5.6 BANKRUPTCY HISTORY

Recent bankruptcies are allowed, all bankruptcies (except for Chapter 13, see below) must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.
Bankruptcies resolved in the last 24 months require a letter of explanation from the borrower. The situation causing the bankruptcy must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple bankruptcies exist in this time frame each must be addressed in the explanation.

5.6.1 CHAPTER 13

AMERITRUST allows recently settled BKs, depending on credit grade, that require either no prior BK 13 pay history or require 24 months satisfactory BK 13 pay history (if full term of BK is less than 24 months, a pay history for the full term is required). (Refer to AmeriTrust Garnet Matrices for additional information.)

A cash-out refinance may be used to settle the remaining balance of a Chapter 13 repayment plan if all the following requirements are met:

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

Refer to AMERITRUST Grade Determination Matrix for grade specific restrictions.

5.7 FORECLOSURE SEASONING

Foreclosures completed in the last 24 months a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date required. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Refer to AmeriTrust Garnet Matrices for grade specific restrictions.

5.8 SHORT SALE / DEED IN LIEU SEASONING

Short Sales and Deed-in-Lieu of Foreclosures completed in the last 24 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the Note date. For the Credit Grades of B, and C, where the housing event can be settled, the delinquency proceeding the housing event can be ignored.

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

Refer to AmeriTrust Garnet Matrices for grade specific restrictions.

5.9 FORBEARANCE OR MODIFICATION

5.9.1 NON COVID FORBEARANCE

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

5.9.2 COVID FORBEARANCE

Forbearance must be prior to 2022. All forbearance entered from the beginning of 2022 to present will be considered a non- COVID forbearance.

Forbearance (Entered Prior to 2022)

Borrowers who are currently or have been in forbearance, are acceptable in certain cases:

- The borrower(s) must provide a copy of the forbearance agreement and documentation of which method was used to bring the loan current.
- Borrower (s) must be current on all mortgages for all properties owned through the month of closing.
- Borrower(s) must document that they have been removed from forbearance on any mortgage loan, including our subject and any other properties.
- If the borrower(s) brought the loan current through re-instatement (payment in full of the deferred amount), the loan will be deemed eligible for a maximum credit grade of A+ and DSCR/No Ratio - (not available on Select DSCR) Mortgage ratings need to reflect forbearance and not mortgage lates for it to be considered a true COVID forbearance' any other forbearance follow the guides.
- If the re-instatement was completed after the application date on our subject, the source of funds must be documented.
- Borrower(s) who were unable to bring their forbearance current through re-instatement and used one of the following methods (this applies to all properties owned), may be eligible if they have made a minimum of 3 timely payments as of the note date. Payments may not be made in advance of the due dates. If forbearance < 6 months, the maximum eligible credit grade will be a (A) or DSCR (not available on any Select product or No Ratio) and on No Ratio will have to follow the 24-month seasoning stated in the guides.
    - Repayment Plan
    - Modification Agreement (except those that qualify per our Modification guides)
    - Payment Deferral

5.9.3 COVID-19 BORROWER CERTIFICATION

We have implemented a new certification form where borrowers must attest to ability to repay prior to funding all Full Doc and Bank Statement Loans. This is required to be executed by all borrowers on a transaction. Funding will not commence otherwise. Funders will be required to review all answers. Any negative answers will require the funding be held and the loan go back to underwriting.

5.10 TRADELINES AND GRADE DETERMINATION

5.10.1 STANDARD TRADELINES

- All Programs
  - At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12-months, or
  - At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12-months, or
  - At least 1 revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30; or
  - At least 1 installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history ox30.

Mortgage accounts do count toward required tradelines. VORs and VOMs from servicing companies and/or management companies count toward tradelines with a credit supplement.

Married Borrowers do not need to individually meet tradeline requirements. Their combined credit will be considered when evaluating acceptable tradelines.

The following are <u>not acceptable to be counted as a tradeline</u>: "Non-traditional" credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales. Any tradeline that cannot be used as a qualifying tradeline also will not affect the DTI.

Note: ITIN borrowers have different restrictions, Refer to ITIN section.

5.10.2 LIMITED TRADELINES

If Standard Tradelines requirements are not met, and the borrower has a valid credit score per the Credit Reports and Credit Score section of this guide the following restrictions apply:

<u>Owner Occupied & Second Home:</u>

- Full 12 months Mortgage or Rental History required with no late payments.
- On a purchase, the borrower must have 5% of their own funds.
- On a refinance, a full 12-month mortgage history tradeline with no late payments satisfies the tradeline requirements.
- All other credit grade parameters must be met.
- If the above requirements are not met, the maximum credit Grade is B
  - If above are met, Refer to the AmeriTrust Garnet Matrices for Grade requirement.

Investment & Business Purpose Non-TRID Loans

- Max grade of a B on Full Doc and Alt-Doc Loans
- Max 70% LTV on DSCR and not allowed on No Ratio Loan Programs

Note: ITIN borrowers have different restrictions, Refer to ITIN section

5.11 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

5.11.1 HOUSING AND MORTGAGE RELATED OBLIGATIONS

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

Note: Refer to Credit (DSCR) section for Housing History on DSCR Loans.

5.11.2 CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information in the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

Not applicable to DSCR Loans.

Certain debts can be excluded from the borrower's recurring monthly obligations ratio:

- When a borrower is obligated on a non-mortgage debt—but is not the party who is actually repaying the debt—the lender may exclude the monthly payment from the borrower's recurring monthly obligations.

  - This policy applies whether or not the other party is obligated on the debt but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor)
  - Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance. See below for treatment of payments due under a federal income tax installment agreement.
- When a borrower is obligated on a mortgage debt - but is not the party who is actually repaying the debt, the lender may exclude the full monthly housing expense (PITIA) from the borrower's recurring monthly obligations if:
  - the party making the payments is obligated on the mortgage debt,
  - there are no delinquencies in the most recent 12 months, and
  - the borrower is not using rental income from the applicable property to qualify.
- In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the lender must obtain the most recent 12 months' canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.
- When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties (if applicable per Fannie Mae B2-2-03, Multiple Financed Properties for the Same Borrower
- Not applicable to DSCR Loans

5.12 PAYMENT SHOCK

Payment shock should not exceed 300% of the borrower's current housing payment unless DTI is less than or equal to 45%. If payment shock exceeds this limit the underwriter must provide justification of borrower's ability to handle the increased payment. If the loan purpose is debt consolidation, and the net tangible benefit test is met, a payment shock calculation is not required. NOTE: Refer to additional payment shock restrictions in the First Time Homebuyers section of this guide.

Payment Shock = (Proposed Housing Payment /Present Housing

Payment) * 100 Borrowers living rent-free use $1 for qualification.

5.13 ADDITIONAL CREDIT CRITERIA

5.13.1 OWNER OCCUPIED & SECOND HOME

Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.

- New debt/liabilities – A verification of all new debt/liabilities must be provided, and borrower should be qualified with the additional monthly payment.

5.13.2 INVESTMENT & BUSINESS PURPOSE NON-TRID LOANS

Inquiries – Recent inquiries within 90 days of the credit report date must be explained by the borrower.

5.14 NEW DEBT/LIABILITIES

A verification of all new debt/liabilities must be provided, and borrower must be qualified with the additional monthly payment.

5.15 DISPUTED ACCOUNTS

- When the credit report contains tradelines disputed by the borrower and if the disputed account balance is $1,000 or less, the payment can be included in the total debt calculation and the account can remain in dispute.
  - The total aggregate balance of accounts in dispute remaining unresolved cannot exceed $3,000.
- If the account that is in dispute is currently delinquent, a Charge Off or Collection, the requirement to pay off the account is at underwriter's discretion.

6. ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

6.1 RESERVES

- The AMERITRUST loan program includes minimum reserves as outlined on the [AMERITRUST Product Matrix]
- Additional Reserves - Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months (Additional reserves based upon the PITIA of the subject property); On all income documentation loans, full doc, and bank statements, when reserves are required. Not applicable to DSCR/No Ratio Loans.
- Reserves must be sourced and documented per section 7.5 of these guidelines.
- Reserves for a loan with an Interest Only feature based upon the interest only payment.
- Reserves for an ARM loan without an Interest Only feature based upon the initial PITIA.
- Proceeds from a cash out refinance can be used to meet the reserve requirements.

- **<u>Owner Occupied & Second Home ONLY:</u>**
  - Reserve requirements are waived for Rate-and-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 5% or greater AND housing history is 1x30x12 or better (no housing history, unless the property is free and clear, is not allowed); waiver not eligible for DTI greater than 50%
  - For an interest only loan the reserves are based on the interest only payment

- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.
- Gift funds may NOT be used to meet reserves requirements.

6.2 DOWN PAYMENT SOURCING

Down payment funds should be documented for 60 days per the Fannie Mae Verification of Deposits and Assets guidelines with the documentation included in the loan file. AMERITRUST will require that the borrower state the source of the down payment and provide verification. If the underwriter determines that the source of the down payment is another extension of secured credit, the underwriter must then consider that loan as simultaneous secondary financing. Refer to the Secondary Financing" section. If the source of the down payment is unsecured credit, the monthly payment will need to be added to qualifying DTI and meet program requirements.

6.3 GIFT FUNDS/GIFT OF EQUITY

- When gift funds or gift of equity are used for all or part of the down payment, they are acceptable in either scenario:
  - 100% of gift funds with 10% LTV

    reduction

  OR

  - A 5% down payment has been made by the borrower from their own resources.
- Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt. In addition to FNMA acceptable donor relationships (except a distant relative, such as a cousin), a close friend or distant relative with a clearly defined and documented interest in the borrower, or a distant relative that can prove blood relation, would then be acceptable B3-4.3-04, Personal Gifts.
- Gift funds may NOT be used to meet reserve requirements.

6.4 ASSET DOCUMENTATION

In addition to documenting the minimum reserve requirements, all borrowers must disclose, and Underwriters must verify all other liquid assets.

6.4.1 DOCUMENTATION REQUIREMENTS

- Account Statements should cover the most recent 60-day period.
- If account has other names in addition to the borrower(s), a 100% access letter and an LOE is required (this pertains to personal and business accounts; if a borrower owns a business 100%, no access letter is required, even if there are other names on the business account)
- Investments in Stocks/Bonds/Mutual Funds/Annuities/ certificates of deposit/money market funds/ and Trust Accounts for which the borrower is a direct beneficiary - 100% of these accounts can be

considered in the calculation of assets for closing and reserves.

- Vested Retirement Account funds – 100% may be considered for reserves (refer to Fannie Mae B3-4.3-03).
- Vested Retirement Account funds – 60% may be considered for closing costs and down payment.
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Asset Utilization: Any assets that are depleted and used as income are not eligible for use as reserves.
- When bank statements are used, large deposits must be evaluated; large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance, and they must be sourced based upon the Down Payment Sourcing section of this Guide

  An example of how to identify a large deposit:
  - Month 1 deposits
    - $1,000
    - $1,500
  - Month 2 deposits
    - $2,500
    - $5,000
  - Total deposits equal $10,000 or a monthly average of $5,000
  - 75% of the monthly average is $3,750.
  - The $5,000 deposit from month 2 needs to be sourced.

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least three (3) prior to closing.

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

6.4.2 SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves; the borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide. If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required. If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account.

- If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets.
  - If funds needed exceed the maximum percentage of ownership, 100% access letter is required.
- AMERITRUST must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation.

Full Income Documentation (May use one of the following methods)

- AMERITRUST must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business; AMERITRUST will utilize Fannie Mae Form 1084 or a similar cash flow analysis form to show the business can support the withdrawal of the funds, or
- The balance sheet (borrower or tax professional/CPA/Accounting-Bookkeeping Firm supervised by a Certified Accountant prepared) for the business must reflect positive working capital, OR
  - Working capital is the difference between the current assets and current liabilities.
  - The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves, or
- CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed, and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business.

- **Self-Employed – 12- or 24-Month Business Bank (May use one of the following methods)**
  - Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation, perform the following calculation:

    Statement(s) Ending Balance
    - Transaction Down Payment
    - Transaction Closing Costs
    - Program Required Reserves
    +Fund Available from Personal Account(s) Funds Available for Business Expense Coverage

  - Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&L; or as determined by using the expense factor.
    - The balance sheet (borrower or tax professional/CPA prepared) for the business must reflect positive working capital. (Working capital is the difference between the current assets minus current liabilities; the result represents the maximum amount of business funds available to use towards down payment, closing cost, and reserves), or
    - No balance sheet option: The Balance Sheet requirement can be waived by reducing the amount of available assets by 50%, or

- CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed, and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business.

7. INCOME

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

7.1 GENERAL INCOME ANALYSIS

7.1.1 INCOME WORKSHEET

This section does not apply to any DSCR loans.

Unless business purpose then the loan file must include an Income worksheet detailing income calculation. Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate.

7.1.2 EMPLOYMENT/INCOME VERIFICATION

- Most recent one (1) or two (2) years income documentation is required for all income/documentation types unless otherwise noted.
- If any borrower is no longer employed in the position disclosed on the URLA at the time of funding, AMERITRUST will not allow funding.
-

7.1.3 STABILITY OF INCOME

- Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. AMERITRUST must determine that both the source and the amount of income are stable.
- A two-year employment history is required for the income to be considered stable and used for qualifying.
- When the Borrower has less than a two- year history of receiving income, the underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower.
- While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

7.1.4 EARNINGS TRENDS

When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation.

YTD income amount must be compared to prior years' earnings where applicable.

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

7.2 DEBT TO INCOME RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses. (Refer to AmeriTrust Garnet Matrices for further details.)

7.3 RESIDUAL INCOME

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt. (Refer to AmeriTrust Garnet Matrices for further details.)

7.4 4506-C

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

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation."
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s.
- Validation of prior tax year's income (income for current year must be in line with prior years)

In the current year filing time for taxes, AMERITRUST will follow FNMA for other acceptable verification of taxes when "No Record Found" results are returned; this includes verified e-filing and proof of payment for taxes or proof of refund to borrower, letter from employer or tax professional verifying the W-2 has been filed with the IRS, etc.

7.5 FULL INCOME DOCUMENTATION

Full Income Documentation is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories. Refer to AmeriTrust Garnet Matrices for requirements.

7.5.1 RESTRICTIONS

Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

7.5.2 FULL INCOME DOCUMENTATION (24-MONTHS)

When tax returns are required, as in the case of investment property ownership, the most recent two years should be provided. The definition of most recent is the last return scheduled to have been filed with the IRS.

Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.

- Wage or Salaried Borrowers:
  - The FICO score of the Primary Wage Earner will be used for grading and pricing.
    - Any Co-Borrower must have a minimum score of 600.
  - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period.

A verbal VOE from each employer within 10-days of the Note date

  - A completed, signed, and dated IRS Form 4506-C is required for each borrower. If tax returns are present in the credit file, transcripts for the return will be required.
- Self Employed Borrowers:
  - Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s).
  - A YTD P&L and (Borrower prepared acceptable, borrower required to sign the P&L) if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required. P&Ls are for qualifying positive income only. If negative income was reflected from a business and negative income was used in the income calculations, a P&L is not required for that negative income and/or business.
  - A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return, at the underwriter's discretion the forms should be executed, and the transcripts included in the credit file. If included, the tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
  - Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following; a phone listing and/or

business address using directory assistance, internet search, for self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired.

- If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required.
- An underwriter must consider the financial strength of a self-employed borrower's business.

7.5.3 FULL INCOME DOCUMENTATION (12-MONTHS)

- When tax returns are required, as in the case of investment property ownership, the most recent year should be provided:
  - The definition of most recent is the last return scheduled to have been filed with the IRS.
  - Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return.
- *Wage or Salaried Borrowers*:
  - A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub (reflecting 30 days of pay and YTD earnings) and IRS W-2 form for the most recent tax year.
  - A verbal VOE from each employer within 10-days of the Note date
  - A completed, signed, and dated IRS Form 4506-C is required for each borrower; if tax returns are present in the credit file, the transcript for the return will be required.
- *Self Employed Borrowers*:
  - Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower; if tax transcripts verify information on Tax Returns, Tax Returns do not have to be signed and dated by the borrower(s)
  - A YTD P&L (borrower prepared acceptable, borrower required to sign the P&L) and, if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required; P&Ls are for qualifying positive income only, thus if negative income was reflected from a business and negative income was used in the income calculations, a P&L is not required for that negative income and/or business
  - A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return:
    - The form should be executed, and the transcripts included in the credit file.
    - The tax returns and transcripts should be compared; any discrepancies should be explained and, if necessary additional documentation obtained to address satisfactorily
    - If the 1040 transcripts reflect the K-1 income and it matches the K-1s given and the K-1 income on Schedule E of the 1040s, then business transcripts do not need to be requested, unless using income, such as depreciation, from 1120s or 1065 returns then transcripts for business returns will be required.

    - If Transcripts are not required, a signed and dated 4506-C form is not required.
  - Verify the existence of the business, for positive income used in income qualifying, within 60-days of the Note date and ensure the business is active with the following:
    - Phone listing and/or business address using directory assistance or internet search.
    - For self-employed independent contractors, use either a letter from a third-party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired.
    - If a business reflects negative income and that negative income was used in the qualifying income, business verification is not required.
  - An underwriter must consider the financial strength of a self-employed borrower's business.

7.5.4 OTHER SOURCES OF INCOME

The following sources of income must be verified using Fannie Mae requirements. Bonus, and Overtime are permitted with Full Income (12 Months) documentation and generally calculated over the 12-mont period and are not considered an exception, (FNMA considers an exception).

- Annuity
- Auto allowance
- Bonus
- Capital Gains
- Child Support and Alimony
- Commission
- Disability (with proof of 3-year continuance)
- Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency; follow FNMA Guidelines for foreign income
- Housing Income
- Interest and Dividends
- Investment
- Military or government assistance
- Overtime
- Part-time/Variable (uninterrupted and stable for past two years) *
- Rental Income: should be documented through Schedule E of the borrower's tax returns; if the property has not previously been rented, then income will be calculated based on the lower of the lease agreement or 1007 times 75% for single unit property:
  - The most recent two months' rent must be verified and documented as received in the most recent two months before funding.

Rental Income from Boarders or– In order for this income to be considered, the following requirements must be met:

- There must be at least a 12-month history of receiving rental income from boarder or accessory unit.
- Full Doc transactions only – Tax returns, as well as tax transcripts, are required.

- Retirement /or Social Security
- Trust: Verify using Fannie Mae requirements along with the following:
  - Document trust account funds, both of the following must be obtained:
    - Written documentation of the value of the trust account from either the trust manager or the trustee; and
    - The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.

* For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered case-by-case if positive factors are present to offset shorter history.

7.5.5 VOE ONLY PROGRAM

Where W-2 is the only source of income/employment, a Written VOE only is allowed in lieu of the actual W2. Subject to the following:

- Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.
- Owner Occupied Primary Residence only.
- Two years' history with the same line of work required.
- No paystubs, tax returns, 4506-C or W-2s are submitted.
- No charge-offs, collections, or tax liens in the last 3 years
- Must be completed by Human Resources, Payroll Department, or Officer of the Company
- Written VOE completed by Lender.
- Verbal VOE to be done by Lender prior to funding to support the Written VOE
- Two months personal bank statements, dated within 60 days of closing, required to support the account after all FICA deductions were made.

Program Restrictions refer to matrix.

7.5.6 1099 ONLY PROGRAM

Where 1099 is the only source of income/employment and the borrower has been in the same profession or job for at least two years, a 1099 only can be used subject to the following restrictions:

- Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

- Owner Occupied Primary Residence only.
- Borrower cannot have any ownership percentage in the business from which 1099 income was received.
- Two-year history in the same profession
- DTI follows full doc guidelines.
- No Tax Returns, only two years 1099s are required (Loan is treated as a full doc loan)
- 1099 Transcripts are required to validate 1099 filings for the 2 most recent tax years.
- At least one business reference letter is required to validate 1099 continuous employment.
- Two most recent personal or business bank statements, required to support the 1099 reported income.
- Borrower prepared, CPA prepared or Tax Professional P&L with business narrative required or CPA, CTEC, PTIN or EA Expense factor letter is acceptable.

Income calculations based on NOI from P&L or Expense Factor Letter supported by two most recent bank statements that support the same level of income.

Example 1: 2 years 1099's show $300,000 in income, P&L shows NOI of $200,000 for two-year period.

$200,000 / 24 months = $8,333,33 in monthly income

Example 2: 2 years 1099's show $300,000 in income, Expense Factor shows 15% expense factor as an independent contractor.

$300,000 X 85% = $255,000 in Net Income / 24 Mo.= $10,625 in monthly income

The 2 most recent bank statements support the monthly income calculations. If the amount is less than calculated the borrower may add bank statements to support the average income. 10% variance is allowed.

7.6 SELF-EMPLOYED ALT DOC (BANK STATEMENTS)

The Self-Employed Bank Statements program is available to self-employed borrowers only and allows the use of bank statements to document self-employment income. Income documented through the Self-Employed Bank Statement method may be combined with other income sources that are documented as Full Doc but not associated with self- employment, such as a spouse employed as a wage earner or a borrower with previous year working as W-2 employee. When wage income is combined with Self-Employed Bank Statements, a tax return is not required for the full income documentation, as this would invalidate the bank statements if received for the same tax year. The 4506-C is still required, however, box 8 should be checked to obtain a transcript of W-2 earnings.

7.6.1 RESTRICTIONS

- Refer to AmeriTrust Garnet Matrices for acceptable credit grades, max LTV, and DTI
- At least one borrower must be Self-Employed.
- Other name(s) on bank statements used to qualify:

- Direct relative(s) only (Refer to Fannie Mae guide); LOE required.
- 100% access letter
- Any deposits in the name of the other parties are excluded.

7.6.2 SELF-EMPLOYED 12-MONTHS BANK STATEMENTS DOCUMENTATION

At least one of the borrowers must be self-employed to qualify for this program.

BANK STATEMENT TYPES	12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS
Personal* Reflecting borrower's personal income and expenses	• Most recent 12 months Personal Bank Statements and • Most recent 2 months Business Bank Statements
Business* In the name of the business, reflecting only business income and expenses	• Assumed Business Expense Factor from the Fixed Expense Factor Table OR one of the Rebuttal Options; OR
Co-mingled* Personal and Business activity combined in one account	• 12 Month P&L Statement prepared by CPA, Enrolled Agent, Properly Licensed Accounting -Bookkeeping Firm supervised by a Certified Accountant, or the Chief Financial Officer (CFO) of the company providing the bank statements when 10+ employees are verified to work for company via narrative. o At least 3 most recent months Bank Statements required • One Year Self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript
* Additional Bank Statements or Expense Analysis documents may be requested as needed.	

7.6.3 ALT DOC – INCOME ANALYSIS

Self-employed Borrowers

A borrower with a 25% or greater ownership interest in a business is considered self-employed and must be evaluated as a self-employed borrower. Net income from the analysis of the bank statements must be multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

Verify the existence of the business, within 60-days of the Note date, to ensure the business is active with the following; a letter from either the business tax professional certifying two years of self-employment in the same business, or regulatory agency or licensing Bureau reflecting license is still active and not expired; or an internet search that verifies business' phone number or address or for self-employed independent contractors a letter from third party company currently utilizing their service(s).

NOTE: Businesses that function as non-profit enterprises are ineligible for self-employment treatment.

Service & Tip Industry

Due to the cash nature of the service and tip industry, those borrowers may participate in the bank statement program. Full documentation is required for employment. Base salary is verified with pay stubs and W2s. Qualified tips are averaged over time. Utilize the bank statement analysis to determine tip income.

Borrowers who obtain their income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license. At least one business reference letter is required to validate employment. Deposits will be used to calculate income. P&L or expense factor letter is not required if the borrower provides personal bank statements.

ADU Income

ADU income can be used to qualify on alternative doc income loan similar to the way the other investment property income is calculated.

- Purchase Transaction – Not Available, except when assigned via the purchase contract and verified.
- Refinance Transaction – Only available with executed lease agreement and 2 months

  verifiable rent received.

Rental Property Income*(Alt Doc 12 Month Bank Statements)*

When Rental Income is the Borrower's primary income source, bank statements may be used to calculate income when meeting all the following:

- The borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts.
- 12 Months of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used.
- Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation.
- Fully executed lease/rental agreements for all properties required. 75% of the lease/rental amounts will be used.
- If the above documentation is provided, the income calculation will NOT follow the standard bank statement income calculation listed in the bank statement section.

When Rental Income is the Borrower's secondary or supplemental source of income, bank statements may be used to calculate income.

- The primary source of income calculation may be utilized when the following are provided:
  - Schedule of Real Estate owned (URLA) completed for all investment properties.
  - Fully executed lease/rental agreements for all properties

- If the above cannot can be provided, use the following calculation:
  - The income calculation MUST follow the standard bank statement income calculation and fixed expense factor listed in the Alt Doc Bank Statements for Real Estate Investor, Developer

7.6.4 ALT DOC – PERSONAL BANK STATEMENTS

- Income is calculated based on a 12-month average, or 24-month average of total deposits minus any inconsistent deposits not justified.
- The pattern of deposits and payments should be consistent, as determined by the type of business.
  - For example, a Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would-be deposits made a few times in a 12- or 24-month period.
- ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present.
- Changes in deposit pattern must be scrutinized.
- Income documented separately but comingled must be backed out of deposits.
- Two months most recent business bank statements
  - Must evidence activity to support business operations, and
  - May reflect transfers to the personal account.

If the personal bank statements include names of individuals other than the borrower(s), the following is required:

- 100% Access Letter from individual(s) whose names appear on personal bank statements.
- LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account.
- Business License and the most recent company formation information for LLC, Corp, or S-Corp

The underwriter will review the documentation provided. If the individual(s) work for the company and/or are part owners of the company, they must be on loan for the income to be used. If the individual(s) work elsewhere but earn the income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) will be used for qualification.

7.6.5 ALT DOC – BUSINESS AND COMINGLED BANK STATEMENTS – FIXED EXPENSE FACTOR

Underwriter will evaluate the type of borrower/business using the **Fixed Expense Factor Table** below, applied to business- related deposits. The expense factor will be determined via review of the completed business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required.

1. Determine the Gross Monthly Qualifying Income

Total Allowable Monthly Deposits = Net Qualifying Deposits ÷ 12 (or 24) Months

2. Determine the Business Net Income.

Gross Monthly Qualifying Income X (100% - Fixed Expense Ratio) (from table below)

FIXED EXPENSE FACTOR TABLE			
Number of Full-time Employees/Contractors	0—1	2—10	10+
Service Business *	20%	40%	60%
Product Business **	30%	50%	70%
Real Estate Business***	70%	75%	80%

*Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

**Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

***Real Estate Investors, (without a schedule of current real estate), Property Developers and Property Flippers, CPA letters will not be accepted for a lower expense ratio

3. Determine the Borrower's Monthly Qualifying Income

Business Net Income X Borrower's Percentage of Ownership in the Business

If the type of business may have a materially different expense factor per the lender or borrower, two rebuttal options are listed below. Should the Underwriter uncover any red flags that require further review, the Underwriter may request additional documentation.

Rebuttal Option 1: Business Expense Statement Letter:

Provide a Business Expense Statement Letter from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant with 12 Months Bank Statements (or 24 Months Bank Statements when required).

- Net Income is determined by total deposits per bank statement, less total expenses.
- Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, Tax Preparer, or a properly licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant
- Any expense factor lower than 15% will require a basic understanding of the borrower's business by a tax professional, which supports the expense factor noted, along with a borrower business narrative.
    - The business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods.

- If the business has a website, it should be reviewed to gain additional information on the business and its size.
- The Underwriter's review of the narrative should conclude that the expense factor is reasonable based on the information provided.
- Qualifying income is the net income from the

  analysis.

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Rebuttal Option 2:

12-Month Profit and Loss Statement:

Provide a 12-Month Profit and Loss (P&L) Statement (24-Month if required by the Underwriter) from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant.

- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
- The bank statements and the P&L must cover the same time period.
- Qualifying income is the net income indicated on the P&L
- Additional Bank Statements or Expense Analysis documents may be requested as needed.

Tax returns and 4506-C are not required for this program. If tax returns and/or transcripts are provided, the loan will be ineligible for the Self-employed Bank Statement Program.

7.6.6 ALT DOC – PROFIT AND LOSS STATEMENT PLUS 3 MONTHS BANK

Provide a 12-Month Profit and Loss (P&L) Statement from a CPA, Enrolled Agent, or Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant with 3 Months Bank Statements (or more when provided or requested by an Underwriter). Proof of the preparer's current state license is required.

- NSF's/Overdrafts not allowed.
- P&L Sales/Revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
  - If this 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.
- Qualifying income is the net income from the P&L divided by the number of months it covers (12,

or 24 if requested by Underwriter

- Expenses must be reasonable for the type of business.
- Pattern of deposits and payment should be consistent., determined by type of business:
  - For example: A Real Estate Sales self-employed borrower may not have sold a property every month, so consistent would be if deposits were made a few times in 12 months (or 24 months if requested by the Underwriter)
  - Other examples include but are not limited to: A Convenience Store owner, Gas Station owner, or Restaurant owner may make large amounts of cash deposits; if deposits are ordinary for the type of business, they will not be backed out of the deposit calculations and sourcing is not required.
- ATM/PayPal/Square/Venmo deposits may be considered and analyzed for consistency.
- Income documented separately but comingled must be backed out of deposits.

Additional Bank Statements or Expense Analysis documents may be requested by the Underwriter as needed.

Tax returns and 4506-C are not required for this program. If tax returns and/or Transcripts are provided, the loan will be ineligible for the Self-Employed Bank Statement Program.

7.6.7 ALT DOC – ONE YEAR SELF-EMPLOYED

The borrower must be self-employed for a minimum of 12 months, which follows a full year of W-2 employment in the same profession. Furthermore, the borrower's self-employment income must be earned from a field/line of work that provides the same products or services as the previous W-2 position or in an occupation in which he or she has similar responsibilities to those undertaken in connection with the previous business. The borrower must be the sole owner of the business.

The most recent 12 months of self-employment income via bank statements must show a topline revenue (via deposits) greater than or equal to their previous year's W-2 earnings to be considered. Up to a 10% variance in income will be allowed if the borrower's DTI is less than or equal to 45%.

Income

- Two years income required.
  - Most recent 12 months consisting of 12 months of bank statements.
  - Previous full year W-2 with 4506-C verification (W-2 transcript only)
    - Verification is only required for year of W-2 employment, not year of self-employment.
    - If borrower's last W-2 year is not a full year of income, a previous full year of W-2 income must be provided and evaluated.

  - Any of the following documents can be used to prove self-employment and a full 12 months of activity:
    - Business License

- Articles of Incorporation
- Underwriter Internet Search
- CPA Letter

Credit

Refer to Matrix.

Reserves, DTI, Residual Income

Reserves, DTI, and residual income, including any other limiting factor will follow the matrix for Alt Doc income.

7.6.8 ALT DOC – NON/IN-SUFFICIENT FUNDS (NSF)/OVERDRAFTS ≥ 12 MONTH BANK STATEMENT ONLY

Non-sufficient funds (NSF) or negative balance(s) reflected on the bank statement must be considered. Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

Overdraft Protection (From a Depository Account of Line of Credit)

- A distinction is made between overdrafts (e.g., "Sweep" accounts) and NSFs, whereas certain overdrafts are covered by the borrower's own funds.
  - Occurrences may be excluded if statements for the linked account confirm that:
    - The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer; and
    - There were no fees charged for the overdraft.

Returned Checks

- Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSFs.

NSF (Non-Sufficient Funds)

- NSFs occur when charges or checks exceed the available balance in an account, and there is not sufficient overdraft protection in place.
  - NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation by the borrower.
  - Any occurrence that happens on the same day is counted as a one-time occurrence.
  - Multiple NSFs are viewed adversely and may affect qualification, especially at higher LTVs.
  - Excessive NSFs will be highly scrutinized and may cause the loan to be deemed ineligible.
    - Up to six (6) occurrences in the most recent twelve (12) months' time period is acceptable. Any occurrence in the most recent 90 days should be scrutinized by the underwriter. Any

occurrence that happens on the same day is counted as a one-time occurrence. For example, if there are multiple NSFs or overdrafts on one day, it will only count as 1 in the tolerance levels.

  - Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income.

- An underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends.
  - Ending balances should show a trend that is stable or increasing.
  - Low ending balances must be explained and could require additional documentation.

Additional Bank Statements or Expense Analysis documents may be requested by the Underwriter as needed.

Tax returns and 4506-C are not required for this program. If tax returns and/or Transcripts are provided, the loan will be ineligible for the Self-Employed Bank Statement Program

7.7 ASSET UTILIZATION

The Asset Utilization loan program is an option for an underwriter to use a Borrower's liquid assets to augment income for loan and product qualification purposes or to qualify entirely.

Three (3) most recent months of asset statements with all pages included are required for Asset Utilization calculation as well as verifying cash to close and reserves.

7.7.1 RESTRICTION

Refer to AmeriTrust Garnet Matrices for FICO, Grades, LTVs, and all other restrictions.

7.7.2 ASSET UTILIZATION QUALIFYING METHODS AND PROGRAM RESTRICTIONS

Asset Utilization is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all income, or blended income.

Asset Utilization for Use as Income (DTI)

- **Asset Utilization for Use with Blended Income**
  - The borrower may supplement full-doc or self-employment income with Asset Utilization
  - It can be combined with other income such as W-2, Self-employment, 12 months Bank Statement, Social Security,
    Pension, or other investment income

- There is no age restriction.

Asset Utilization for Use as 100% of the Income

- The borrower can use the calculated income from assets to cover the calculated monthly debt ratio.
- Employment information is not required.

CALCULATION

Asset Utilization Calculation Policy (for use with Blended Income or 100 % Income qualification):

- Income listed in the employment section on the URLA will not be considered as the sole income calculation.
- Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan.
- **Example** of Asset Income for a 30-Year loan:
  - Savings Account balance is $100,000 ($100,000 usable toward the calculation)
  - Stock Fund Balance is $100,000 ($90,000 usable toward the calculation)
  - Mutual Fund Balance is $10,000 ($9,000 usable toward the calculation)
  - Total usable is $199,000 ÷ 60 = $3,316.66 monthly income

Asset Utilization without DTI (Residual Assets Method):

For the Residual Assets Method, a debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves, and all other reported debt on the credit report. A calculated Residual assets amount is required.

CALCULATION

Asset Utilization Calculation Policy (for use with 100 % Coverage):

- Eligible assets available before closing must be sufficient to cover all the following:
  - The new loan amounts.
  - The down payment
  - Closing costs
  - Any required reserves, per program requirements
  - Five years (60 months) of all other current monthly obligations
  - Five years of taxes and insurance

Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test.

7.7.3 ASSET UTILIZATION ELIGIBILITY

Eligibility Requirements (Asset Amortization)

- Available for Primary Residence, Second Homes, and Investment Property (N/O/O)
- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation.
- 100% of eligible assets must be verified.
- All assets must be in a U.S. financial institution—No Foreign Assets
- The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program.

Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds, or retirement accounts. For most asset types, this would include all pages of the most recent three (3) months. Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower. Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.

7.7.4 ASSETS ELIGIBLE FOR UTILIZATION

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the wealth.

Considered assets must be comprised of the following readily marketable assets, which must be available to the borrower with no penalty and are limited as follows (after deduction of any funds used for down payment, closing costs, or reserves):

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 90% (stock options not allowed)
- Mutual Funds = 90%
- Retirement Accounts
  - 401(K) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up)

For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(K) loan against the 401(K) accounts. Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation, or non-regulated financial companies.

7.7.5 ASSETS INELIGIBLE FOR UTILIZATION

- Any asset that produces income is already included in the income calculation.
- Business Funds
- Equity in Real Estate
- Life Insurance
- Other non-liquid assets
- Privately traded or restricted/non-vested stocks
- Restricted Stock Units (RSUs)
- Retirement Assets: Ineligible if not vested.

7.7.6 DEBT SERVICE COVERAGE RATIO (DSCR)

Under the Debt Service Coverage documentation option, property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and Inexperienced Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose and an Occupancy Certification.

Restrictions

Refer to AmeriTrust Garnet Matrices for FICO, Loan Amounts, LTVs, and all other restrictions.

7.7.7 DSCR CALCULATION

- **DSCR** is calculated by gross rents divided by qualifying PITIA or ITIA
  - 100% of the rent can be used, and no vacancy factor is required.
  - Refer to matrix for current DSCR ratios allowed.
    - *EXAMPLE* **Debt Service Coverage Ratio (DSCR):** Single-family Purchase Money
      Transaction Monthly PITIA = $650
      Estimated Monthly Market Rent (from Form 1007) = $850
      Existing Lease Monthly Rent = Not Available
      Gross Market Rent = $850 (Estimated Monthly Market Rent when a lease is not available for Purchase transaction) RATIO CALCULATION:
      Gross Income ÷ PITIA = DSCR
      (Ratio) RATIO: $850 ÷ $650 = 1.30

7.7.8 EXPERIENCED INVESTOR

- Owned two (2) or more properties for greater than the most recent twelve (12) months; or
- Owned one (1) or more investment properties for the greater of 24 months; or
- Ownership in Commercial Real Estate or investment in RE Investment Trust within the last twelve (12) months
  - Tradelines for mortgages that are reflected in the credit report and have been paid off or sold in the last 12 months can meet the above requirements.
- Experienced Investor, only one borrower must meet the experienced investor definition; all other borrowers can either be Inexperienced or First-time Homebuyers

7.7.9 INEXPERIENCED INVESTOR

- Must have owned one (1) property (primary or investment) in the most recent 12 months, for a minimum of 12 months.
  - Tradelines for mortgages that reflect on the credit report and have been paid off or sold in the last 12 months can meet the above requirement.
- Inexperienced Investor, all borrowers must meet inexperienced definition; no First-time Homebuyers are allowed with inexperienced.

7.7.10 CREDIT (DSCR)

- Mortgage/Rental ratings are required for the borrower's primary residence (including primary residences owned in an entity) and for the subject property (if primary residence is owned free and clear will not need rating for that property)
  - All other REOs owned by the borrower, Corporation, or LLC, unless reported on the credit report, or reflected on any other documentation, such as a fraud report, are not required,
  - If other mortgages are reflected on the credit report, they are required to meet ratings per the AMERITRUST (Non-QM)
    Matrix
  - Commercial property (including 4+ Units) can be excluded from REO, but if mortgages appear on the credit report, they must meet ratings per the AmeriTrust Garnet Matrices
  - Inquiries and variation of borrower's addresses do not need to be addressed.
  - Recent late payments on all consumer debt that exceed 1 X 60 over the previous 12 months will be scrutinized by the underwriter.
- Default Event - If the current transaction loan payment is delinquent for more than 60 days, AMERITRUST's loan servicer will execute the 1-4 Family Rider (Fannie Mae® Form 3170) Paragraph G – Assignment of Leases provision.

7.8.5 BORROWER INCOME (DSCR)

- Proof of income is not required.
- The Employment section of the 1003 loan application should be left blank.
- The Income section of the 1003 loan application must be left blank.
- Tax returns and IRS Form 4506-C are not required; if tax returns and/or transcripts are provided, the loan is ineligible for this DSCR program type.

7.8.6 ASSET DOCUMENTATION (DSCR)

In the case of DSCR documentation, most recently 30 days of Asset verification is required.

- Large deposits should be sourced if the underwriter determines there is a red flag, but no seasoning requirements apply.
- If the account has other names in addition to the borrower(s), a 100% access letter and an LOE are required.
- Business funds may be used for the down payment, closing costs, and for the purposes of calculation reserves.
  - The borrower must be listed as the sole owner of the account; or
  - The borrower may use a maximum of their percentage of ownership as

qualifying assets. The remaining asset documentation standards in 7.0 of this Guide apply.

7.8.7 PROPERTY INCOME DOCUMENTATION AND DETERMINATION (DSCR)

Documentation Requirements

Purchase

- Form 1007
- Existing lease/rental agreement(s), if applicable. (If current rents are more than markets rents, the lesser of actual rents or 125% of market rents may be utilized.)
  - When using a new lease, canceled checks must be from renter listed on the rental agreement.

Refinance

- Form 1007
- Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized.)

Income Analysis

GROSS INCOME

Gross Income is the lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease agreement(s) reflect(s) higher rents than the 1007, the lease amount(s) may be used for gross rents if two months proof of receipt is verified—OR—if new lease, copy of agreement with validated proof of security deposit and 1st month's rent (new lease with no security deposit will not be allowed for this agreement to be used). For purchase transactions without an existing lease and Unleased/Vacant Property refinance transactions, the gross rents indicated on the 1007 may be used without the lease agreement(s).

7.7.11 LEASED PROPERTY

Purchase Transactions

Use the rents provided on the comparable rent schedule from the appraiser (unless subject property is currently rented, and purchase contract is assigning rental agreement to proposed buyers – then rental agreement can be used).

Refinance Transactions

- Use the leases/rental agreements used throughout the year and average over the 12-month period.
  - If there are months where the property is vacant, use zero for that month in the average—OR—if brand new lease, use with a validation of security deposit and first month's rent (lease/rental agreement with no security deposit will not be allowed for this agreement to be used)
  - The average should be supported by the comparable rent schedule (within reason)
- If documentation is not provided showing a consistent minimum 8-month period, property will be considered unleased.
- Airbnb, VRBO, or similar such rentals will be considered.
- ADU Leases cannot be used unless verified by appraiser and lease agreement and supported by rental comps 1007 (comps need to reflect ADU income comps market rent)
- Lease not required on refinance transactions if loans amount ≤ $1MM and LTV ≤ 65%
  - Utilize rents from appraisal, 1007, or Rent Survey) – leased properties only per appraisal.
  - Not available on short term leases

7.7.12 UNLEASED/VACANT PROPERTY

A property where one or both of the following exist:

- A lease or month-to-month rental agreement does not exist, and rent is being collected only on a verbal agreement (if lease/rental agreement is expired, will not consider a verbal agreement; need a copy of the expired agreement) and/or
- Home is vacant.

Unleased Property LTV/CLTV Restrictions

- Purchase Transaction: Program Max
- Rate/Term and Cash-Out Refinance

Refer to AMERITRUST (Non-QM Matrix) for program limitations.

Documentation Requirements

Purchase

- Form 1007
- Existing lease/rental agreement(s), if applicable. (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized.)
  - When using a new lease, canceled checks must be from renter listed on the rental agreement.

Refinance

- Form 1007
- Existing lease/rental agreement(s). (If current rents are more than market rents, the lesser of actual rents or 125% of market rents may be utilized)
- Appraisal required from AIR compliant Appraisal Management Company (AMC), OR (if transferred appraisal) a 2055 Drive By in lieu of CDA from AIR compliant Appraisal Management Company (AMC)
- The underwriter must be able to determine whether the property has not been vacant for an unreasonable period and the likelihood it will be rented.
  - Borrower provided letter of explanation or other documentation evidencing the cause of vacancy such as recent renovation or tenant turnover required.

7.7.13 SHORT TERM RENTAL (STR)

Short term rentals (STRs) (e.g., Airbnb, FlipKey, VRBO) are properties that are leased on a nightly, weekly, monthly, or seasonal basis.

STR Documentation and DSCR Calculation

- General
  - No first-time investors
  - 1 Unit Single Family Residence, 2-4 Unit (Refi only) PUD, and Condo eligible
  - No deed restricted properties
  - Declining market (value):
    - When a declining market is identified by the underwriter or listed on the appraisal, the max LTV is 65%
  - Declining market (rent):

- When declining market rent is identified by the underwriter or listed on the appraisal, one of the following must occur:
  - Reduce the LTV to 65%, OR
  - Achieve a Minimum 1.25 DSCR Ratio

- Income:
  - STR Income – Purchase and Refinance Transactions
    - Applies to all transactions using short-term rental income.
      - A 5% LTV reduction applies to all loans qualified with short-term rental income.
  - DSCR Calculation
    - Monthly Gross Rents based on a 12-month average to account for seasonality required.
    - Refinance Transaction: 12 months (or 6 months minimum, if owned less than 12 months) used and averaged accordingly
    - Extraordinary Costs:
      - Use actual extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) listed on the 3rd party management/rental statement, OR
      - Use the gross rents reduced by 20% to reflect extraordinary costs (i.e., management fees, advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short-term property, if actual not provided

    NOTE: (Gross Rents X 0.80) ÷ PITIA = DSCR

- <u>**Documentation**</u>

  Either of the following methods can be used to determine gross monthly rental income. Priority will be given to recent documented rental income when choosing a method.

<u>Purchase or Refinance</u>

- Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long-term or short-term market rents along with:
  - Most recent 12-month rental history statement from the third-party rental/management service (may be provided by the seller if a purchase transaction)
  - Statement must identify the subject property/unit, rents collected for the previous 12 months and all vendor management fees.
  - Any significant variance between the 1007/1025 prepared with short-term rental data and recently documented income may warrant further scrutinization by the underwriter.
  - AirDNA Rentalizer and Overview Report is acceptable on transactions when:
    - Subject property is new construction with an occupancy cert issued within the last 60 days. OR
    - Renovation of an existing property was completed in the last 60 days as evidenced by supporting documentation.

- 60 days seasoning is measured from renovation completion or occupancy cert issued dated to application date.
- **NOTE:** AirDNA and Overview Report must meet all requirements below. Cash-out refinances must follow vacant property guidelines.

Purchase only:

- Form 1007 Single Family Comparable Rent Schedule/Form 1025 Small Residential Income Property Appraisal Report prepared by the appraiser reflecting long-term or short-term market rents along with:
- AirDNA Rentalizer and Overview reports (must meet the following requirements):
  - Rentalizer
    - Forecast period must cover 12 months from Note date.
    - The occupancy rate must be > 50.
      - < 50 requires a 1.20 min DSCR.
    - Must have six (6) comparison properties.
    - Must be within two (2) miles of the subject property.
    - Must be similar in size, room count, amenities, availability, and occupancy.
  - Overview Report
    - Market grade by zip code
    - Must be B or greater.
    - Income calculation (annual revenue ÷ 12)
      - Any significant variance between the 1007/1025 prepared with short-term rental data and recently documented income may warrant further scrutiny by the underwriter.

7.7.14 RENT LOSS INSURANCE

Rent loss insurance covering a minimum of 6 months PITIA or ITIA is required for the subject property on a refinance only if the property is vacant. If the subject property is leased/rented, then rent loss insurance is not required. If the subject property is units, all units need to be leased/rented to qualify for the waiver of rent loss insurance. Not applicable for purchase transactions.

If the subject property has a lease/rental agreement that will commence at a near future date, it can be considered as rented/leased, providing the lease/rental agreement has been documented and verified. Verified means that a security deposit and/or first month's rent have been paid to the landlord and verified as deposited or equivalent.

7.8 FOREIGN NATIONAL

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent

Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

For the purposes of this guide, Foreign National borrowers are eligible for Investment and Second Home transactions only. For eligibility and credit grade refer to matrix.

A complete 1003 loan application is required on all loan files reflecting borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. Additional phone numbers to assist credit vendors in contacting the borrower, such as cell, land, or business should be obtained, and the Borrower Contact Consent Form may be utilized for this purpose. Automatic Debit Payment Agreement (ACH)

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

7.8.1 AUTOMATIC DEBIT PAYMENT AGREEMENT

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

7.8.2 FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS

- Visa types allowed: B-1, B-2, H-2, H-3, I, J-1, J-2, 0-2, P-1, P-2, TN NAFTA, Laser Visa
- The following are required as evidence that the borrower can enter the U.S legally.
  - Copy of the borrowers valid and unexpired passport (including photograph) OR
  - Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94.
    - Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at https://travel.state.gov/content/travel/en/us- visas/tourism-visit/visa-waiver-program.html. The credit file should be documented with a current print out of the participating countries with the borrowers country of origin highlighted.
- All borrowers involved in the transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: http://sdnsearch.ofac.treas.gov/.
- Borrowers from OFAC sanctioned countries are ineligible

http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

- Individuals with Diplomatic immunity not eligible https://www.state.gov/subjects/diplomatic-immunity/
- Effective July 1st, 2023, Florida Senate Bill 264 *Interests in Foreign Countries* prohibits any person from the People's Republic of China who is not a citizen or lawful permanent resident of the US to purchase or acquire any interest in

  real property in the state of Florida. The law also prohibits foreign principals which includes any person and/or entity from People's Republic of China, the Russian Federation, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Republic of Cuba, the Venezuelan regime of Nicolás Maduro, or the Syrian Arab Republic, including any agency of or any other entity of significant control of such foreign country of concern from purchasing real property within 10 miles of a military installation or critical infrastructure.
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consulate. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- For documents signed in a country that is party to the "Hague Convention Treaty Abolishing the Requirement of Legalization for Foreign Public Documents" a certificate of acknowledgment completed and signed by a notary public authorized or commissioned to perform such duties plus authentication by apostle in English and attached to the executed documents and certification of acknowledgement with title company acceptance is agreeable to lender.
- Power of Attorney (POA) is not allowed.
- Delayed Financing NOT available for Foreign National borrowers and Foreign National loan programs

7.8.3 FOREIGN NATIONAL CREDIT

QUALIFYING U.S. CREDIT

- For Foreign National Borrowers with a valid Social Security number a credit report may be obtained. Requirements found in the CREDIT section of this guide apply. Borrowers not meeting these requirements may proceed under the Qualifying Foreign Credit requirements detailed in this guide.
- Guideline restrictions:
  - Refer to Matrix.

QUALIFYING FOREIGN CREDIT

- Foreign National Borrowers with limited Qualifying U.S. Credit tradelines with a valid FICO score can follow the below for additional tradelines to meet tradeline requirements (borrowers must have a valid Social Security Number and/or an individual Tax Identification Number for a credit report to be ran).

- No derogatory credit history is permitted within the 2-year history under review; ANY combination of the following is acceptable to meet the tradeline requirement:
  - Tradelines evidenced via international credit report if a U.S. credit report cannot be produced or does not provide a sufficient number of tradelines; AND/OR
  - Tradelines evidenced via credit reference letters from verified financial institutions in the borrower's country of origin if a U.S. credit report and/or international credit report is not available, or the combination of the credit reports does not provide a sufficient number of tradelines.
    - A minimum of 1 reference letter must be from an internationally known financial institution.
    - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12-month payment history.
    - A single reference source may provide verification of multiple accounts. Individual account details must be provided.
    - The letter must mention the borrower by name.
    - Name, title & contact information of the person signing the letter must be included.
    - Currency must be converted to U.S. Dollars and signed and dated by certified translator.
    - All documents must be translated into English.

HOUSING HISTORY

URLA must reflect a two-year housing history in country of origin or where currently legally residing.

7.8.4 FOREIGN NATIONAL INCOME

- Borrowers with US sourced income must comply with all A+ or A Credit Grade Full Doc guidelines.
- **Asset Utilization**
  - Refer to asset utilization sections.
- DSCR
  - Refer to DSCR section.

7.8.5 FOREIGN NATIONAL ASSETS

RESERVES

- minimum of twelve (12) months of reserves are required.
- Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA.

GIFT FUNDS

- **Gift Funds not allowed.**

ASSETS HELD IN FOREIGN ACCOUNTS

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

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