



AMERITRUST
DIAMOND
DSCR 5 TO 8 OR MIXED USE

7.24

5-8 Residential and 2-8 Mixed Use Property

1.0 Property Income Analysis (07/10/2023)

- Minimum DSCR \geq 1.00.
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment).
- Loan amounts \geq \$2,000,000 require DSCR \geq 1.00 and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater).
- Leased – Use lower of Estimated market rent or lease agreement.
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties, 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.
- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- Income from commercial space must not exceed 49% of the total property income.
- If the lease has been converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease.
- Short-term rental use/income not eligible.
- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property.

2.0 Borrower Experience (04/25/2022)

- Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years.
- First time investors are not eligible.

3.0 Eligible property (10/16/2023)

- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
- Commercial unit(s) may be occupied by the borrower's business.
- Residential 5 – 8 Units (Max 2-acres)
- Mixed use 2 – 8 Units
 - Commercial usage limited to Retail/Office/Restaurant
 - 2-3 Units: Max 1 commercial Unit
 - 4-5 Units: Max 2 commercial Units
 - 6-8 Units: Max 3 commercial Units
 - Commercial space must not exceed 49% of the total building area
- Unleased Units
 - Maximum 1-unit on 2-3 unit property
 - Maximum 2-units on 4+ unit property

4.0 Property Condition (10/16/2023)

- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., dry cleaner, laundromat, chemical storage, fuel station, auto body repair)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

5.0 Prepayment Penalty (12/13/2021)

- Eligible prepayment penalties limited to either a fixed percentage or declining percentage style

6.0 Eligibility Requirements (04/25/2022)

- The maximum loan term cannot exceed 30 years.

7.0 Assets (12/12/2022)

- For asset documentation requirement:

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
 - Statements must include the following:
 - Name of financial institution
 - Reflect borrower as the account holder (Funds held jointly with another individual are considered 100% of the borrower's funds)
 - Account number
 - Statement date
 - Time period covered by the statement
 - Available balance in U.S. dollar denomination
 - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in in a Trust require the following:
 - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
 - Document the conditions under which the borrower has access to the funds
- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.
- Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).

- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, certificates of deposit, stocks, bonds, and 401(k) accounts. When qualifying the borrower, monthly payments on loans secured by non-financial assets must be included in the debt-to-income calculation for non-DSCR transactions. When loans are secured by the borrower's financial assets, monthly payments for the loan do not have to be considered as long-term debt. See [Section 2.5.6.12 - Loans Secured by Financial Assets](#) for complete details.
- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets. For downpayment and closing costs, if funds haven't been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets.
 - Consumer Purpose Loans: The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
 - Business Purpose Loans:
 - Assets held in the name of the vested entity: 100% of the assets may be used.
 - Assets not held in the name of the vested entity: The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
 - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
 - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
 - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30 days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts.
- Cash-on-hand.
- Sweat equity.
- Gift or Grant funds which must be repaid.
- Down payment assistance programs.
- Unsecured loans or cash advances.

- 529 Savings Plan.
Funds contributed by a non-borrowing spouse.
- Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

8.00 Appraisal Requirements 5-8 Residential and 2-8 Mixed Use

8.1 Appraisal Age (07/15/2024)

Appraisals dated fewer than 120 days prior to the Note date are acceptable. After 120 days, a new appraisal is required.

8.2 -5-8 Unit Residential Properties (07/10/2023)

A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

One of the following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties; **or**
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

8.3 -2-8 Mixed Use Properties (10/16/2023)

Commercial use is limited to retail, office space, or restaurants. Residential or commercial zoning acceptable.

One of the following appraisal reports are acceptable:

- General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode); **or**
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

Regardless of the report type, the following are required:

- A full interior inspection with photos is required for all units.
- Commercial space must not exceed 49% of the total building area.
- The sales comparison approach should be used as the appraised value.

8.4 Appraisal Attachments Required (07/15/2024)

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units

- Map
- Appraiser qualifications

8.5- Property Condition

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

8.6-Appraisal Review Requirements

- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.
- In Pennsylvania and North Carolina, a commercial evaluation product is used instead of the BPO product.
- *Minimum Property Requirements (12/13/2021)*

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-8 Units 400 sq. ft per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

9.0 Personal Property

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

10.0 Escrow Holdbacks

- Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase. ATM will not acquire any loan with an escrow holdback.

11.0 - Declining Markets (07/15/2024)

The loan transaction is subject to an LTV/CLTV cap, program specific, if the property is in a declining market. Declining markets are determined by a) property location in a State identified on matrices not applicable to this product 5 to 8 or 2 to 8 Mixed use , or b) the appraisal report reflects a declining market under housing trends. State eligibility is referenced on the Loan LTV Matrices. The program specific LTV/CLTV caps are as follows:

- 5-8 Multi/2-8 Mixed Use
 - Maximum LTVs don't require a market adjustment

12.0 Property Types not allowed:

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Properties with agricultural features (e.g., vineyards, farms, ranches, orchards, equestrian facilities)
- Manufactured or Mobile homes
- Units subject to timeshare arrangements
- Properties with fractional ownership
- Units in a Co-op development
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment)
- Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
- Properties with zoning violations or illegal use
- Dome or geodesic properties
- Properties on Native American Land (Reservations)
- Log homes that are not common to the area
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Rural property:
 - A property is classified as rural if:
 - The appraiser indicates in the neighborhood section of the report a rural location; or
 - The following two (2) conditions exist:
 - The property is located on an unpaved road, and
 - Two of the three comparable properties are more than five (5) miles from the subject property.

DSCR does not allow over 2 acres and may not be rural

