



Diamond Full Guidelines

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1.0 FIRST LIEN ELIGIBILITY

The Non-Agency programs offer loans with features beyond the criteria established for Qualified Mortgages. Features include alternative income documentation for self-employed borrowers, interest only, and loan qualification for investment properties using the subject property cash flow.

1.1 PROGRAM MATRICES

See Loan/LTV Matrices located on the [Ameritrust TPO Portal](#)

1.1.1 ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Ameritrust:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
10/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED	Note Rate	480	NA	480	NA	NA
40 YR FIXED I/O	Note Rate	480	120	360	NA	NA

*DSCR documentation type is selected, all ARM products may use the note rate for qualifying.

ADDITIONAL ARM CRITERIA			
Adjustment Reset Period	Lookback Period	Margin	Floor
6-months	45-days	See Rate Sheet	Margin

1.1.2 STATE ELIGIBILITY RESTRICTIONS

See the [Ameritrust Loan Eligibility Matrix](#) for state eligibility restrictions for all programs.

1.1.3 QUALIFYING PAYMENT

The qualifying payment is based upon the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, any other insurance, and any association dues.

The qualifying payment is based on the amortization term. For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period. Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest only payment (ITIA).

1.1.4 INTEREST-ONLY RESTRICTIONS

See [Program Matrix](#) for restrictions.

1.1.5 LOAN AMOUNTS

See [Program Matrix](#) for restrictions.

1.1.6 MINIMUM CREDIT SCORE

See [Program Matrix](#) for restrictions.

1.1.7 PRIVATE MORTGAGE INSURANCE (PMI)

Private Mortgage Insurance (PMI) is not required on any loan.

1.2 AGE OF DOCUMENT REQUIREMENTS

The following documents may not be more than **90 days old** at closing (the date the Note is signed).

1.2.1 CREDIT REVIEW DOCUMENTATION

- Income verification/paystubs
- Asset documents/bank statements
- Credit Report
- Title Commitment/Preliminary Report/Binder/O&E

Any credit review documents exceeding these timeframes must be updated.

1.2.2 APPRAISAL

Residential Appraisals (1-4 units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in [Section 1.9.1.1 – Appraisal Requirements 1-4 Unit Residential](#).

Commercial Appraisals (5-8 multi-family, 2-8 mixed use): Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required. See complete appraisal requirements in [Section 1.9.1.2 – Appraisal Requirements 5-8 Residential and 2-8 Mixed Use](#).

1.3 BORROWER ELIGIBILITY

1.3.1 CITIZENSHIP

An individual 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. The Green Card (Form I-551) is evidence of employment authorization.

- Acceptable evidence of permanent residency includes the following:
 - Alien Registration Receipt Card I-551 (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).
 - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
 - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized.”

1.3.1.1 Permanent Resident Alien

- Eligible without guideline restrictions

1.3.1.2 Non-Permanent Resident Alien

An individual 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. For Ameritrust programs, sellers must validate the borrower has employment authorization. This may be documented with either an EAD or a VISA permitting employment.

- Borrower Eligibility Requirements:
 - Residing in U.S. for at least 2 years; and
 - Must have been employed in the U.S. for at least 2 years as evidenced on the loan application; and
 - Must have valid Social Security Number(s); and
 - Must have established U.S. credit, see [Section 1.5 Credit](#).
- Employment Status Documentation is required for all borrowers, and may consist of one of the following:
 - Employment Authorization Documents, provide one of the following:
 - Form I-766 Employment Authorization Document (EAD), (work permit/card) is required for US employment if the borrower is not sponsored by a current employer.
 - If the EAD will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower’s continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable for up to 540 days if an automatic extension has been granted.

- Form I-765 Application for Employment Authorization, the form:
 - Must reflect approval status in the Action Block (upper right-hand corner of the form)
- Form I-797, I-797A, I-797B, or I-797C conveying approval status
 - Petitioner to match employer name on application
- If EAD is not provided, a copy of the VISA permitting employment authorization needs to be included in the credit file.
 - The following VISA types are acceptable: E-1, E-2, E-3, G-1 through G-5, H-1B, L-1A, L-1B, O-1, R-1.
 - Other VISA types permitting employment may be considered, see the U.S. Dept of State Website at [Visas - United States Department of State](#).
- Asylum – Individuals granted asylum are eligible, documentation includes one of the following:
 - Form I-766 Employment Authorization Document (EAD), (work permit/card) referencing code C08, or
 - Form I-94 with a stamp or notation, such as “asylum granted indefinitely” or the appropriate provision of law (8 CFR 274a.12(a)(5) or INA 208) to show their employment authorization. The asylee does not need to present a foreign passport with this Form I-94. An asylee can also present an electronic Form I-94 with an admission class of “AY.”
- Deferred Action for Childhood Arrivals (DACA)
 - Form I-766 Employment Authorization Document (EAD), (work permit/card) referencing code C33, or
 - Form I-797 conveying approval status for Case Type I765-Application for Employment Authorization referencing code C33, or
 - Form I-765 Application for Employment Authorization, the form:
 - Must reflect approval status on the Action Block (upper right-hand corner of the form)
- Guideline restrictions:
 - Standard or Alt Documentation limited to 24-months only. Maximum LTV/CLTV limited to 80%
 - DSCR Documentation (Investment Only): Maximum LTV/CLTV 75%
 - Non-occupant co-borrowers are not allowed
 - Gift funds are not allowed

1.3.2 FOREIGN NATIONAL

A Foreign National is a non-resident alien who may not purchase property intended for use as a primary residence. Occupancy is limited to DSCR Investment OR Full Doc Investment, Second Home Full Doc.

- Foreign Nationals are eligible under the following matrix:
 - [Foreign National Matrix](#)
- Foreign Nationals are not eligible under Alt/Full Doc or DSCR 5-8 Unit/2-8 Mixed Use

1.3.2.1 Primary Residence

A foreign national borrower must evidence their primary residence as follows:

- Primary Residence in a Foreign Country:
 - The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Primary Residence in the U.S.:
 - The application must include the borrower's address for their primary residence
 - Provide evidence of ownership (e.g., Property Profile Report, Fraud Report, Settlement Statement, Closing Disclosure)
 - ITIN borrowers who do not own a primary residence in the U.S. are ineligible
 - Housing History: See [Section 1.5.5 - Housing History](#)

1.3.2.2 Automatic Payment Authorization (ACH) Form and Borrower Contact Consent Form

Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

- The [Borrower Contact Consent Form](#) is required.

1.3.2.3 Foreign National Program Specific Documentation Requirements

- Documentation is required, as follows:
 - Primary Residence in a Foreign Country:
 - Copy of the borrowers valid and unexpired passport (including photograph), or
 - Primary Residence in the U.S.:
 - Copy of unexpired government photo ID (e.g., driver's license, passport), and
 - ITIN card or letter from IRS assigning the ITIN number to the borrower'
- For DSCR transactions, if a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirement do not apply
- OFAC SDN screening: See [Section 1.5.3.2.1 – Individuals](#) for criteria
- OFAC Sanctioned Countries: See [Section 1.5.3.2.2 – Foreign Countries](#) for criteria
- Florida Purchases: Loans secured by property located in the state of Florida made to foreign principals, persons, and entities are to include one of the following Affidavits published by the Florida Land Title Association:
 - Conveyance to Foreign Entities – By Individual Buyer

- Conveyance to Foreign Entities – By Entity Buyer
- Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at <https://www.state.gov/>.
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention: [U.S. Hague Convention Treaty Partners](#)
 - Model Apostille forms can be found on the following link: [Authenticate an official document for use outside the U.S. | USA Gov](#)
- Power of Attorney (POA) is not allowed.

1.3.2.4 Qualifying U.S. Credit for Foreign National Borrower

FOREIGN NATIONAL – CREDIT REQUIREMENTS: A U.S. credit report (See [Section Credit 1.5](#)) should be obtained for each Foreign National borrower with a valid Social Security Number (SSN). The credit report should provide merged credit information from the 3 major national credit repositories. For borrowers without a valid SSN, an Individual Taxpayer Identification Number (ITIN) is also allowed. An ITIN is acceptable if the borrower has the ITIN for purposes of reporting taxes from passive income sources only and is not employed in the U.S. A traditional U.S. credit report is not required for borrowers without a valid SSN. Foreign National borrowers who do not have an SSN or ITIN may still proceed under the Foreign National Program.

The URLA should be updated with 999-99-9999 in the SSN field. All other program requirements still apply.

1.3.2.5 Housing History – Foreign National

Housing history is required for the following:

- Primary residence if the borrower resides in the U.S, see [Section 1.5.5 Housing History](#)
- Subject property refinance transactions (including cash out), see [Section 1.5.5 Housing History](#)

1.3.2.6 Foreign National Income

Full Documentation

The maximum DTI allowed for Foreign National borrowers is 50%. To document income received for salaried Foreign National borrowers, the following items must be obtained:

- Letter from employer on company letterhead providing current monthly salary and YTD earnings, OR 2 months' pay stubs with YTD earnings.
- Verification of earnings for the last 2 years (letter from employer or W-2 equivalent)
- Employer to be independently verified (via LexisNexis, DCB International Business Search, Google, or other means of verification)
- All documents must be translated by a certified translator.

Foreign National borrowers who have been self-employed for at least 2 years are allowed. The following items must be obtained:

- Letter from a CPA providing income for the last 2 years and YTD earnings
- Self-employed business and CPA are to be independently verified (via LexisNexis, DCB International Business Search, Google, or other means of verification)
- All documents must be translated by a certified translator. Verbal Verifications of Employment are not required for Foreign National borrowers.

Asset Utilization (FN)

Foreign National borrowers may use Asset Utilization to determine qualifying income if those qualified assets sourced and seasoned for a minimum of three (3) months. The qualified assets and reserves may be deposited in financial institution(s) outside of the United States subject to State/LTV restrictions. See the Foreign National Matrix for credit score and LTV restrictions.

Asset Utilization is allowed on cash-out transactions. Qualified Assets can be comprised of publicly traded stocks, bonds, mutual funds, vested amount of retirement accounts and bank accounts. If a portion of the Qualified Assets is being used for down payment, closing costs, or reserves, those amounts must be excluded from the balance before analyzing a portfolio for income determination. The following assets are considered Qualified Assets and can be utilized to calculate income:

- 100% of checking, savings, and money market accounts
- 80% of the remaining value of stocks C bonds
- 70% of retirement assets

Calculating Qualifying Income (FN)

To calculate qualifying income using Asset Utilization, see below:

Foreign National borrowers must have the lesser of (a) 1.5 times the loan balance or (b) \$1mm in Qualified Assets, both of which must be net of down payment, closing costs, and required reserves to qualify.

See the [Foreign National Matrix](#) for max debt ratios. The income calculation is as follows:

$$\text{Monthly Income} = \text{Net Qualified Assets} / 60 \text{ Months}$$

Debt-Service Coverage Ratio (FN)

A Debt-Service Coverage Ratio (DSCR) may be calculated for the subject property in lieu of documenting borrower income. Market rent must be documented with FNMA Form 1007 or Form 1025, as applicable. The DSCR calculation is as follows: Debt-Service Coverage Ratio = Gross Income / Proposed [P]ITIA* To calculate Gross Income, use the lower of the (a) executed lease agreement or (b) market rent from FNMA Form 1007 or Form 1025, as applicable. If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of receipt of the higher amount for the 2 most recent consecutive months is provided. *For Foreign National (FN) Interest Only loans, the DSCR calculation for the 30-Year Fixed IO Product allows for the use of the interest-only payment to qualify, including escrows.

- See [Foreign National Matrix](#) for eligibility

1.3.2.7 Foreign National Assets

1.3.2.7.1 Reserves

Six (6) months of PITIA reserves are required.

1.3.2.7.2 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.

One of the following options may be utilized when documenting funds to close:

- Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC; **or**
- Verified funds for closing to be wired directly to the closing agent. Wire transfer to include bank name, account holder name, and account number. Bank used as source of wire transfer must match the bank holding the assets verified in the loan file.

Documentation for assets held in foreign accounts:

- A copy of the most recent statement of that account
- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or Wall Street Journal conversion table
- See [Section 1.6.2 Asset Documentation](#) of this guide for eligible sources and types of assets
- Reserves may remain in a foreign bank account or may be documents in a U.S. bank account
- The value of the asset must be converted to U.S. dollars using the current exchange rate

1.3.2.7.3 Gift Funds

Gift funds are allowed on Foreign Nationals for countries that can be documented to have restrictions on funds leaving the country to a max of 70% LTV, must document 20% of borrowers own funds. Assets held in foreign accounts must be seasoned 60 days and meet one of the following requirements: a) Must be seasoned in a US depository institution for 10 days prior to closing unless funds are held in a foreign bank with US Based FDIC insured branches; OR b) Wired directly to the closing agent. o Note that Foreign Assets must be converted to US dollars using the current exchange rate.

1.3.3 NON-OCCUPANT CO-BORROWERS

Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.

- Primary purchase transactions only
- Standard Doc only for both the occupant and non-occupant borrower(s)
- ~~Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).~~
- ~~Overall DTI for all borrowers must adhere to requirements per the program matrix.~~
- The non-occupant borrower must be included on title for the subject property

- Borrower(s) and co-borrower(s) must complete and sign a Non-Occupant Co-Borrower Certification similar to the example of a [Non-Occupant Co-Borrower Certification](#)

1.3.4 FIRST TIME HOMEBUYERS (FTHB)

An individual is to be considered a first time homebuyer (FTHB) who is (1) purchasing the security property; and (2) had no ownership interest (sole or joint) in a residential property during the three- year period preceding the application date of the security property. Note: An individual who is a displaced homemaker or single parent also will be considered a first time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first time homebuyer transactions:

DSCR 1-4:

First Time Homebuyer/First Time Investor:

- Minimum credit score 700
- 12-months minimum rental history fully documented, if private party, must provide cancelled checks/bank statements, or PayPal etc. proof with copy of lease. 0x30x12
- Must provide proof of utility bill with address along with valid driver's license
- Max LTV 75% purchase to LTV matrices limit
- Minimum DSCR 1.00
- 12-months reserves
- No gifts allowed
- No Cash Out

First Time Investor:

First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently has a verified 12-month housing payment history with a max LTV of 75% with minimum of 1.00 DSCR ratio with a minimum of 700 FICO score.

First-Time Investors are eligible subject to the following restrictions:

- Minimum credit score 700
- Minimum of 36-months seasoning from any credit event
- Cash-out transactions not eligible
- 12-months minimum rental history fully documented, if private party, must provide cancelled checks/bank statements, or PayPal etc. proof with copy of lease
- 12-months reserves
- DSCR: 2-8 Mixed use or 5-8 Residential – Not allowed

Full Doc/Alt Doc:

- Primary Residence Only
- 45 DTI Max
- Minimum ~~six (6)~~ three (3) months of reserves
- 12-months rental history, reflecting 0x30, documented per [Section 2.5.5 Housing History](#)

First time homebuyer with less than 12-month rental history:

- DTI may not exceed 43%
- LTV may not exceed 80%
- **Minimum twelve (12) months of reserves**
- Any available portion of a 12-month housing history must be paid as agreed

1.3.5 INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Persons with Diplomatic Immunity, as defined by U.S. Citizenship and Immigration Services
- Persons from OFAC sanctioned countries and persons sanctioned by OFAC
- Not-For-Profit entity
- ITIN borrowers who are not Foreign Nationals PLEASE REFER TO SPECIFIC ITIN GUIDES
- Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

1.3.6 TITLE VESTING AND OWNERSHIP

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see [Section 1.9.6 Leasehold Properties](#).

Eligible forms of vesting are:

- Individuals
- Joint Tenants
- Tenants in Common
- Inter Vivos Revocable Trust
- Illinois Land Trusts

Ineligible forms of vesting are:

- Land Trusts
- Blind Trusts
- Irrevocable Trust
- IRAs
- Not-For-Profit Entity

1.3.6.1 Inter Vivos Revocable Trust

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae® requirements should be followed to the extent this section is silent.

An inter vivos revocable trust is a trust that:

- An individual creates during their lifetime;
- Becomes effective during its creator's lifetime; and

- Can be changed or canceled by its creator at any time, for any reason, during that individual's lifetime

Trust eligibility is not affected if the trust documents contain a provision that the trust will, in the future, become irrevocable upon the death of one of the settlors/trustees.

Trust and Trustee Requirements:

The 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. 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 two (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 1) have the power to hold the title and 2) mortgage the security property for the purpose of securing a loan to the individual (or individuals) who are the borrower(s) under the mortgage or note. One or more of the trustees establishing the trust must use personal income and/or assets to qualify for the mortgage.

Documentation Requirements:

- Trust documents are to be obtained as follows:
 - Fully executed and notarized Certificate of Trust
 - Or as applicable under state law
 - If the trust was created under the laws of Louisiana:
 - Trust Extract
 - If allowed by state law, alternative trust documentation may be acceptable
- Trust documents are to verify the following:
 - Trust is revocable
 - Borrower is the trustee and settler of the trust
 - Borrower is the primary beneficiary of the trust, when disclosed
 - Trustee is:
 - Duly qualified under applicable law to serve as trustee
 - Fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets

1.3.6.2 Vesting for Business Purpose Loans (Investment Occupancy)

A Business Purpose Loan where the borrower is an entity is limited to the following structures: Limited Liability Company (LLC), Partnership, and Corporation.

The following requirements apply to all loans vested in an entity:

- Loans vested in an entity are eligible under the following programs: Alt/Full Doc & DSCR.
- Purpose and activities are limited to ownership and management of real property
- Entity must be domiciled in a U.S. State
- Entity is limited to a maximum of four (4) member(s) or manager(s)

- Personal guaranties must be provided by member(s)/manager(s) representing at least 50% ownership of the entity. The personal guaranty form is available on the [Ameritrust TPO Portal](#)
- A guarantor must have authority to execute loan documents on behalf of the entity
- Each entity member (applicant) providing a Personal Guaranty (full recourse) must complete a FNMA Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the FNMA Form 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- No Seller 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.

1.3.6.2.1 Guarantor(s) Documentation

- Loan Application (e.g., FNMA Form 1003 or other application)
 - Completed for each guarantor
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name
 - Signed as an individual
- Credit report from all guarantors completing an application, see [Section 1.5. Credit](#)
- Disclosure Documents
 - Business purpose loan disclosures as applicable (e.g., GFE, TIL, LE, CD, ECOA)
 - Any state or federally required settlement statement as applicable
- Legal Documents
 - Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor in their capacity as authorized signer for the entity.
 - Personal Guaranty
 - The guaranty must be full recourse
 - The guaranty must reference the Note and loan amount
 - Members/managers on the application must sign the guaranty as an individual
 - Personal/guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See [Spousal Consent Form](#).

1.3.6.2.2 Entity Documentation Requirements

Limited Liability Company (LLC)

- Entity articles of organization or partnership (or equivalent)
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)

- Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization)
 - If not available, a Borrowing Certificate if required
 - Borrowing Certificate ([LLC Borrowing Certificate - Single Member](#) or [LLC Borrowing Certificate - Multiple Member](#))
- Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
- EIN/Tax Identification Number
 - Single member LLC may use EIN or the guarantor social security number
 - Multi-member LLCs require an EIN

Corporation

- Files Certificate/Articles of Incorporation and all amendments (or equivalent)
- By-Laws and all amendments
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- EIN/Tax Identification Number
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
- Receipt of current year franchise tax payment, clear search, or evidence the state does not require a franchise tax payment

Partnership

- Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
- Partnership Agreement and all amendments
- Evidence of good standing
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- EIN/Tax Identification Number
- Limited partner consents (where required by partnership agreement). Documents must be completed and signed as follows:
 - Signed as an individual(s)
 - Loan Application (FNMA Form 1003)
 - Completed for each member of the Entity providing a guaranty
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the Entity name.
 - Signed by individuals
 - Personal Guaranty
 - Completed for each member of the Entity providing a guarantee.
 - The guaranty should be executed at loan closing and dated the same date as the Note.

- Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See [Spousal Consent Form](#).
- Signed by the authorized signer for the entity:
 - Disclosures (e.g., GFE, TIL, LE, CD, ECOA)
 - Any state or federally required settlement statement as applicable
 - Note, Deed of Trust/Mortgage, and all Riders

1.3.6.3 Power of Attorney

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents;
- The Borrower who executed the POA signed the initial FNMA Form 1003;
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- Not eligible for cash-out transactions or with Foreign National borrowers.

1.3.7 OCCUPANCY TYPES

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
 - Restricted to one-unit dwellings
 - Must be suitable for year-round occupancy
 - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement
- Investment Property – An investment property is owned but not occupied by the borrower

1.3.8 BORROWERS STATEMENT OF OCCUPANCY

The borrower must acknowledge the intended occupancy of the subject property (“Primary Residence”, “Second Home”, or “Investment”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the [TPO Portal](#).

1.3.9 BORROWER STATEMENT OF BUSINESS PURPOSE

All business purpose transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the [Borrower Certification of Business Purpose](#) form. Ameritrust reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common occupancy red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower's primary residence
- The borrower is a first time homebuyer and currently living rent free or renting his/her primary residence
- Subject property could reasonably function as a second home
- Borrower documents show subject property as current residence

1.4 TRANSACTION TYPES

1.4.1 ELIGIBLE TRANSACTIONS

1.4.1.1 Purchase

Proceeds from the transaction are used to finance the acquisition of the subject property.

- LTV/CLTV is based upon the lesser of the sales price or appraised value
- Assignment of contract or finder's fees reflected on the purchase contract are eligible, subject to interested party contribution limits
- Arm's Length For-Sale-By-Owner (FSBO) transactions allowed
 - If Non-Arm's Length, see [Section 1.4.3 Non-Arm's Length Transactions](#)
- Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule. See [Section 1.9.1.8.1- TILA Higher Priced Mortgage Loans Appraisal Rule \(Property Flips\)](#) for details
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
 - The purchase contract cannot be expired
 - Borrower as the purchaser of the property
 - Business purpose loans may reflect the Guarantor or Entity name, see [Section 1.3.6.2 Vesting for Business Purpose Loans](#)
 - Seller as the vested owner on title
 - Correct sales price
 - Amount of down payment
 - Closing dates
 - Concessions and seller contributions
- Buer's Real Estate Agent Commission – In response to the NAR Settlement, the following apply:
 - Commission paid by the property buyer: Considered a closing cost
 - Source of funds must be documented in assets
 - If borrowed or financed, the monthly payment must be included in the debt-to-income ratio
 - Commission paid by the property seller:
 - Not considered an interested party contribution if seller agrees to pay according to the negotiated terms of the purchase contract.

1.4.1.2 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
- Pay off 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
- Buy out a co-owner pursuant to an agreement
- Pay off an installment land contract executed more than 12-months from the loan application date

Other considerations:

- 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.
- If the subject property was acquired greater than six (6) months, as measured from the property acquisition date (Note date) to the subject transaction Note date, the appraised value will be used to determine LTV/CLTV.
- If the subject property was acquired less than or equal to six (6) months, as measured from the property acquisition date (Note date) to the subject transaction Note date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
- Refinance of a previous loan that provided cash out, as measured from the previous Note date to the new Note date, and is seasoned less than 12-months, will be considered a cash out refinance.
- The transaction must be treated as cash-out when the subject property is encumbered by one of the following:
 - Blanket/Cross-Collateralized loan, or
 - Loan that allows for Paid in Kind (PIK) interest

1.4.1.3 Cash-Out

A refinance that does not meet the definition of a rate/term transaction is considered cash-out. See Loan/LTV Matrices for maximum cash-out amounts and restrictions.

- Cash-Out Seasoning is defined as the length of time the subject property has been owned by the borrower, as measured by the property acquisition date (Note date) to the subject transaction Note date.
 - Minimum borrower seasoning requirement of six (6) months is required.
 - Less than six (6) months seasoning is allowed, the current appraised value may be used, with one of the following documented circumstances:
 - Borrower acquired the subject property through an inheritance, or
 - Subject property was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

- Property Value Determination
 - For properties owned 12-months or longer: LTV/CLTV is based upon the appraised value.
 - For properties owned greater than 6 months but less than 12-months: LTV/CLTV is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
 - For properties owned less than 6 months, see Section [1.4.1.4 Delayed Financing](#) for eligibility.
- A mortgage secured by a property currently 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.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm- Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
 - Primary Residence or Second Home properties listed for sale in the past six (6) months
 - Investment properties listed for sale in the past six (6) months
 - Cash-out eligible with a minimum three (3) year prepay penalty, per requirements in [Section 1.4.7 Prepayment Penalty](#)
 - There has been a prior cash-out transaction within the past six (6) months
 - Payoff of a Land Contract/Contract for Deed
 - Non-Owner Occupied Investment property transactions (Investor DSCR) when proceeds from the loan transaction are used for consumer purposes, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
 - Loans with Power of Attorney

1.4.1.4 Delayed Financing

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
 - The transaction is considered cash out refinance for pricing and eligibility. Cash-in-hand limits do not apply except for Foreign Nationals.
 - Foreign Nationals are subject to max cash-in-hand limits per the [Foreign National Matrix](#).
 - The original purchase transaction was an arms-length transaction

- The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
- The preliminary title search or report must confirm that there are no existing liens on the subject property
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions

1.4.2 LISTING SEASONING

For cash-out refinances only:

Primary/Second Home:

- Properties previously listed for sale must be seasoned at least six (6) months from the listing contract expiration date to the loan application date
- The value will be based on the lesser of the lowest list price or appraised value

Investment Properties:

- A listing expiration of less than six (6) months is permitted with a minimum prepayment penalty of three (3) years, see Section [1.4.7 Prepayment Penalty](#). If a property is listed for sale, the listing must be cancelled prior to the note date.
- The value will be based on the lesser of the lowest list price or appraised value.

1.4.3 NON-ARM'S LENGTH TRANSACTIONS

1.4.3.1 Non-Arm's Length Transaction

Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's 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 (verification of the Seller's mortgage [VOM]).

1.4.3.2 Non-Arm's Length Transaction Restrictions

- Renter(s) purchasing from landlord
 - 12-months of cancelled checks to prove timely payments are required
 - A verification of rent (VOR) is not acceptable
- Purchase between family members – Primary Residence ONLY.
 - 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 the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.
- Borrower to provide verification of earnest money deposit
- Maximum LTV/CLT of 80%
- Employer to employee sales or transfers are not allowed (e.g., newly constructed properties)
- Property trades between buyer and seller are not allowed
- Commission earned by buyer/borrower cannot be used for down payment or monthly PITIA reserves

1.4.4 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Primary and Second Home

- Maximum contribution:
 - 6% for LTVs > 75%
 - 9% for LTVs ≤ 75%

Investment

- May not exceed 6%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include 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. A borrower participating in the transaction (i.e., borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above.

Interested party contributions 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 an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

1.4.5 ESCROWS – IMPOUND ACCOUNTS

Escrow accounts must be established by the seller, originator, or servicer to hold funds allocated for the payment of a borrower's property taxes and insurance as they are received each month in accordance with the borrower's mortgage documents and until such time as they are disbursed to pay the related bills.

HPML loans require an escrow account for property taxes, hazard insurance, and flood insurance (if applicable).

Escrow Waivers

- Non-HPML Consumer Purpose Loans:
 - Escrow accounts for property taxes and hazard insurance may be waived subject to the following requirements:
 - LTV less than or equal to 80%
 - Minimum credit score of 680

- **Minimum 6-months of reserves**
 - Escrow waiver is subject to an LLPA adjustment, see rate sheet for program specific adjustments
 - Flood insurance escrow account:
 - Escrow account for flood insurance premium is required for all loans secured by residential improved real estate located in a flood zone.
- Business Purpose Loans:
 - Escrow waivers are not allowed for the following programs:
 - Foreign National DSCR: Borrower without a U.S. credit score
 - Escrow accounts for property taxes and hazard insurance may be waived subject to the following requirements:
 - LTV less than or equal to 80%
 - **Minimum credit score of 680**
 - **Minimum 6-months of reserves**
 - Escrow waiver is subject to an LLPA adjustment, see rate sheet for program specific adjustments
 - Flood insurance escrow account:
 - Escrow account for flood insurance premium may be waived

1.4.6 SECONDARY FINANCING

- Private-party secondary financing not allowed
- Secondary financing must be subordinated and included in CLTV
- HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period

1.4.7 PREPAYMENT PENALTY

Investment Property Only – Please refer to [Prepayment Penalty Matrix](#) or Daily Rate Sheets.

1.5 CREDIT

1.5.1 CREDIT REPORTS

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

1.5.2 UNDISCLOSED DEBT

A gap credit report or Undisclosed Debt Monitoring (UDM) report is required no more than 30-days prior to loan closing or any time after closing.

- A new tradeline with a balance must be included in determining the DTI ratio

- Business purpose DSCR transactions are excluded from this requirement

1.5.3 FRAUD REPORT AND OFAC SEARCH

1.5.3.1 Fraud Report

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties involved in the transaction must be included in the fraud report performed by an automated fraud and data check vendor solution.

Requirements:

- Transaction participants must be included in the fraud report as follows:
 - Borrowers/Guarantors, Property Sellers, Settlement Agents
 - Only member(s)/manager(s) of an entity providing a guaranty are required to be included in the fraud report
 - An industry recognized fraud and data vendor must be used (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor)
 - A copy of the findings report from the vendor must be provided in the loan file with all “high” alerts, or “red flags” addressed and/or cleared by the seller.
 - Sellers may clear “high” alerts or “red flags” directly through the vendor solution or with a signed attestation. The attestation must address each “high” alert, or “red flag” noted in the fraud report. Ameritrust may request additional documentation to address high fraud risk.
 - Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

1.5.3.2 OFAC Search

The Office of Foreign Assets Control (OFAC) of the US Department of Treasury administers and enforces economic and trade sanctions based on the US foreign policy and national security goals against individuals and foreign countries. A clear OFAC search for individuals and foreign countries is required.

1.5.3.2.1 Individuals

Individuals identified on OFAC’s SDN list are not eligible. All individuals involved in the transaction must be screened through exclusionary lists and must be cleared through OFAC's SDN list, regardless of citizenship status.

Requirements:

- A search of Specially Designated Nationals & Blocked Persons list must be completed via the US Department of Treasury: <https://sanctionssearch.ofac.treas.gov/>.
- Individuals to be included in the OFAC search: Borrowers/Guarantors, Property Sellers, Settlement Agents.
- When the borrower is an entity, Guarantor(s) and all member(s)/manager(s) of the entity must be included in the OFAC search.

1.5.3.2.2 Foreign Countries

Borrower(s)/Guarantor(s) from OFAC sanctioned countries are not eligible. The Borrower(s)/Guarantor(s) are defined as individuals signing the loan application.

Requirements:

- Borrower/Guarantors who are Foreign Nationals must be screened against the OFAC sanctioned countries list. Search to be completed via the US Department of Treasury Office of Foreign Asset Control: <https://ofac.treasury.gov/sanctions-programs-and-country-information>
 - Not applicable for Non-Permanent Resident Aliens and Permanent Resident Aliens
- If the borrower is an entity, member(s)/manager(s) who are not Guarantors do not have to be screened against the OFAC sanctioned country list.

1.5.4 CREDIT INQUIRIES

Credit inquiries listed on the report within 90 days of the report date must be addressed by the borrower with a letter of explanation. If no credit was extended, borrower must state the purpose of the inquiry. If new credit was extended, borrowers must provide documentation on the current balance and payment. New payment terms are to be included in the DTI ratio. DSCR is excluded from addressing credit inquiries.

1.5.5 HOUSING HISTORY

- Housing payment history is required for all Real Estate Owned (REO) evidencing the payment activity for the most recent 12-months.
- All payment history will be used for program eligibility, see applicable program matrix for housing history requirements.
- Housing payments must be paid current as of 45 days of the loan application date.
- Any REO listed on the application owned free & clear requires a Property Profile Report or similar document.
 - Property taxes, all insurance, and homeowner's association dues (if applicable) are to be verified and included in DTI.
- Borrower(s) who sold a primary residence within the past six (6) months, currently residing rent-free, and purchasing a new primary residence are allowed. 12-month mortgage history is required on previous primary residence.
- Less than 12-month history or residing rent-free allowed with the following restrictions:
 - DTI may not exceed 43%
 - LTV may not exceed 80%
 - Any available portion of a 12-month housing history must be paid as agreed
- Borrowers who are currently renting a residence, a most recent 12-month rental history is required reflecting paid as agreed.
- If income is being used from a non-subject REO, a housing history is required.
 - Applies to properties vested to an individual or entity
 - Mortgage liability must be factored in to the net rental income used for qualification
- DSCR transactions have separate housing history requirements, see Section [1.8.2.3 Housing History DSCR](#).

1.5.5.1 Mortgage Verification

The seller must review mortgage history documentation to determine the payment status of all mortgage accounts. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

1.5.5.1.1 Mortgage(s) Reporting on Credit Report

The seller must review the credit report to determine the payment status of all reported mortgage accounts for the previous 12-months.

If a complete 12-month mortgage history is not reported on the credit report, the seller must use one of the following to complete the borrower's payment history:

- Credit supplement; or
- Verification of Mortgage form (VOM) completed by the creditor/servicer; or
- Loan payment history from the creditor/servicer; or
- Borrower's proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

For DSCR transactions, any mortgage appearing on the credit report will be included in the housing history eligibility.

1.5.5.1.2 Mortgage(s) Not Reporting on Credit Report

The seller must review documentation for the previous 12-months to determine the payment status of all mortgage accounts not reporting on the credit report.

12-months mortgage payment history is to be documented as follows:

- Mortgage statement or Note for the review period to verify monthly payment amount, **and**
- Proof of payments through one of the following:
 - 12-months cancelled checks, ACH payment, bank transfer/wire, or electronic payment method from the borrower
 - Payments made in cash are not eligible, **or**
 - 12-months mortgage statements for the review period, **or**
 - 12-months loan payment history from the creditor/servicer
 - Proof of borrower's payment for the most recent 6-months is required, **or**
 - 12-months Verification of Mortgage form (VOM) completed by the creditor/servicer
 - Proof of borrower's payment for the most recent 6-month is required

If subject transaction is a refinance, mortgage payoff statement is required from the credit/servicer:

- Payoff statement that reflects late fees, deferred balance, or delinquent interest greater than 30 days are subject to housing history and/or credit event criteria. Transaction is to be considered cashout.

For DSCR transactions, mortgages not appearing on the credit report other than the primary residence or subject property, can be excluded from determining housing history eligibility.

1.5.5.2 Balloon Notes with Maturity Default

- Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent (e.g., delinquent 31 days is 1x30 late, delinquent 61 days is 1x60 late, etc.).

1.5.5.3 Rental Verification

A 12-month rental history is required for all Ameritrust programs when the borrower is renting their current primary residence. The following documents are required:

- A verification of rent (VOR):
 - A third-party VOR is required for any file when the borrower is currently renting.
 - Any VOR completed by a private party, or any non-institutional landlord must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, rental statement including payment history, etc.).

1.5.5.4 Departure Residence

- If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with the following:
 - The executed sales contract for the current residence, and
 - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be offset using 75% of the lower of actual or market rent. **The rental income must be documented with one of the following combinations:**
 - **Market Rent Analysis, Single Family Comparable Rent Schedule (FNMA Form 1007) and a copy of the current lease, OR**
 - **A copy of current lease and evidence of receipt of the damage deposit and first month's rent.**

1.5.6 CONSUMER CREDIT

1.5.6.1 Installment Debt

Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

1.5.6.2 Lease Payments

Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

1.5.6.3 Student Loans

If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Seller may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the Seller must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Seller may calculate:

- A payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- A fully amortizing payment using the documented loan repayment terms.

1.5.6.4 Deferred Installment Debt

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Seller must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

1.5.6.5 Revolving Debt

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of \$10 or 5% of the current balance should be included in the DTI ratio calculation. Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, the Seller must use 5% of the outstanding balance to be included in the DTI ratio calculation.

Any non-mortgage account can be no more than 30 days delinquent at time of application, except for DSCR transactions. Any delinquent account must either be brought current or paid off at closing, except for DSCR transactions.

1.5.6.6 Authorized User Accounts

Authorized user accounts can be excluded from the debt-to-income ratio.

1.5.6.7 Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, sellers must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

1.5.6.8 Solar Panels

Installment debt from financed or leased payments associated with solar panels are to be included in the debt-to-income ratio. See [FNMA B2-3-04](#) for additional criteria.

1.5.6.9 Timeshares

Timeshare obligations will be treated as a consumer installment loan.

1.5.6.10 Business Debt

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the seller must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of cancelled checks, ACH payment, or transferred draw against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

1.5.6.11 Contingent Liability on Cosigned Obligations (Debt Paid by Others)

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If the Seller obtains proof that the borrower is not the party who is repaying the debt, the Seller may exclude the debt. In order to exclude debts from the borrower's DTI ratio, the Seller 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.

1.5.6.12 Court-Ordered Assignment of Debt

When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement) and the creditor does not release the borrower from liability, the borrower has a contingent liability. The seller is not required to count this contingent liability as part of the borrower's recurring monthly debt obligations.

The seller is not required to evaluate the payment history for the assigned debt after the effective date of the assignment. The seller cannot disregard the borrower's payment history for the debt before its assignment.

1.5.6.13 Loans Secured by Financial Assets

When a borrower uses his or her financial assets—life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.—as security for a loan, the borrower has a contingent liability. The seller is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the seller obtains a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy financial reserve requirements, the seller must reduce the value of the asset (the account balance, in most cases) by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.

Payment on any debt secured by virtual currency is an exception to the above policy and must be included when calculating the debt-to-income ratio.

1.5.6.14 Consumer Credit Charge-Offs and Collections

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and accounts that total more than \$2,000, must be paid in full prior to or at closing. See below for exceptions:
 - Medical collections may remain open.
 - A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
 - Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
 - For DSCR transactions, charge-offs and collections can be ignored unless they are title impacted.

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 the payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

1.5.6.15 Consumer Credit Counseling Services

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12-months have elapsed on the plan, and evidence of timely payments for the most recent 12-months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

1.5.6.16 Judgment of Liens

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

1.5.6.17 Income Tax Liens

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments have been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

1.5.6.18 Disputed Tradelines

- Revolving account: See [Section 1.5.6.5 Revolving Debt](#).
- Installment account: See [Section 1.5.6.1 Installment Debt](#).
- Mortgage account: Housing history restrictions apply, see [Section 1.5.5 Housing History](#).
- Collection/charge-off account: See [Section 1.5.6.14 Consumer Credit Charge-Offs and Collections](#).

1.5.7 BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of 36 months. Specific programs may have longer periods, see Product Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

1.5.8 FORECLOSURE / DEED-IN-LIEU / SHORT SALE / PREFORECLOSURE / MORTGAGE CHARGE-OFF

Must be completed a minimum of 36 months. Specific programs may have longer periods, see Product Matrices for details. The length of time is measured from the settlement date to the Note date. In

the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

The following events are considered the same as a foreclosure for loan eligibility:

- **Deed-In-Lieu of foreclosure:** Transaction in which the deed to the real property is transferred back to the servicer. These are typically identified on the credit report through Remarks Codes such as “Forfeit deed- in-lieu of foreclosure.”
- **Short Sale or Preforeclosure Sale:** Sale of a property in lieu of a foreclosure resulting in a payoff of less than the total amount owed, which was pre-approved by the servicer. These are typically identified on the credit report through Remarks Codes such as “Settled for less than full balance.”
- **Charge-off of a Mortgage Account:** Occurs when a creditor has determined that there is minimal likelihood that the mortgage debt will be collected. A charge-off is typically reported after an account reaches a certain delinquency status and may be identified on the credit report with a manner of payment (MOP) code of “9.”

1.5.9 NOTICE OF DEFAULT

Notice of Default will be considered a 1x90x12 under housing history restrictions.

- If the borrower cured the default and has made 12 timely payments, they are eligible without any restrictions.

1.5.10 FORBEARANCE, MODIFICATION, OR DEFERRALS

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12-months from Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated greater than 12-months from the Note date of the subject transaction may be eligible subject to housing history requirements for the selected program.

Within 12-months of Note Date:

- Forbearance, loan modifications, or deferrals completed or reinstated within 12-months of the Note date of the subject transaction will be treated as a 0x90x12 for eligibility and pricing.
- Forbearance, loan modifications, or deferrals completed or reinstated within 12-months of the Note date of the subject transaction are not eligible under Full/Alt Doc, – DSCR, – DSCR 5-8 unit/2-8 mixed use.

1.5.11 CREDIT SCORE

Loan eligibility is based upon the representative credit score, also referred to as the decision credit score. A valid decision credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. To determine a borrower(s) credit score, use the lower of two (2) or middle of three (3) credit scores.

For a loan file with one borrower, that borrower’s score is the decision credit score. For loan files with multiple borrowers:

- **Standard and Alt Documentation:** The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the decision credit score.

- If the borrower and co-borrower are self-employed and jointly own the business being used for income, the highest score amongst the borrowers is used as the decision credit score.
- **DSCR Documentation:** Determine a decision credit score for each borrower/guarantor (lower of two or middle of three), use highest credit score amongst all borrowers/guarantors to determine loan eligibility.
- **Asset Utilization:** Use the lowest score amongst all borrowers who will be on the loan as the decision credit score.

1.5.12 TRADELINES

1.5.12.1 Standard Tradelines

Alt/Full Doc: If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradeline requirements outlined below.

DSCR: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

Foreign National DSCR With U.S. Credit: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The minimum tradeline requirements are as follows:

- 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

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:

- If score available, use the highest decision score amongst all borrower(s)/guarantor(s,) US credit if applicable: Min 2 reporting 24-months or 3 reporting 12-months
- Middle of 3 scores or lower of 2, if available, if only 1 score, see below or no score

Foreign National borrowers who do not have an SSN or ITIN may still proceed under the Foreign National Program. The URLA should be updated with 999-99-9999 in the SSN field.

All other program requirements still apply. Alternative tradelines consisting of two of the following:

- 1) Two Credit reference letter(s) from the borrower's country of origin with the following info: State the type and length of the relationship, how the accounts are held, and status of the account. Contact information must be provided for

the person signing the letter; and Any translation must be signed and dated by a certified translator.

- 2) A 2-year housing history can be used as tradeline (if a primary residence is owned free and clear but taxes and insurance is paid for 12 months or more this can be used for one of the 2 trade lines.

The following are not acceptable to be counted as tradelines:

- “Non-traditional” credit as defined by Fannie Mae®
- Self-reported tradeline
- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures
- Deed-In-Lieu of foreclosure
- Short sales
- Pre-foreclosure sales
-

1.5.13 OBLIGATIONS NOT APPEARING ON CREDIT REPORT

1.5.13.1 Housing and Mortgage-Related Obligations

Housing and mortgage-related obligations include property taxes, insurance 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 on the Schedule of Real Estate Owned (REO) section of the FNMA Form 1003 loan application. These obligations must be verified (subject to the program criteria) using reasonably reliable records such as taxing authority or local government records, homeowner’s association billing statements, or information obtained from a valid and legally executed contract.

1.5.13.2 Current Debt Obligations, Alimony, and Child Support

A Seller may use a credit report to verify a borrower’s current debt obligations, unless the Seller has reason to know that the information on 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.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower’s recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If the Seller exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

1.6 ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

1.6.1 ASSET REQUIREMENTS

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 120 days of the loan note date. Large deposits must be sourced as follows:

- If personal accounts are used for assets, large deposits defined as any single deposit that represents greater than 100% of the borrower's qualifying monthly income are to be documented.
- If business accounts are used for assets, the following applies:
 - Business account used for income: Large deposits greater than 100% of monthly business revenue must be documented.
 - Business account not used for income: Large deposits do not need to be sourced.
- Large deposits do not need to be sourced on DSCR loans.

1.6.2 ASSET DOCUMENTATION

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 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 1.5.6.13 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 Grand funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances
- 529 Savings Plan
- Funds contributed by a non-borrowing spouse unless documented as gift. See [Section 1.6.4 Gift Funds](#).

1.6.3 RESERVES

- Ameritrust loan program requires minimum reserves as outlined on the [Ameritrust Loan Matrices](#).

- Net proceeds from a cash-out transaction may be used to meet reserve requirements. See matrix for restrictions.
- Reserve requirements are waived for Rate-And-Term Refinance transactions (Applies to loans under Alt/Full Doc , DSCR 1-4 secured by a 1-4 unit property) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an Interest Only loan, the reduction is based on the amortizing payment used for loan qualification.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- For Adjustable-Rate Mortgages (ARMs), the reserves are based upon the PITI, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.
- Gift funds may not be used to meet reserve requirements.

1.6.4 GIFT FUNDS

Unless otherwise specified, Gift Funds are acceptable if one of the following applies:

Full & Alt Doc with Exception of Asset Qualification ONLY:

For Owner-Occupied transactions, no minimum contribution required with LTV <= 80%. When the LTV > 80%, 5% minimum borrower contribution required.

For Second homes and investment properties, the borrower must demonstrate they have a minimum of 10% of their own funds for the down payment. The borrower does not have to contribute 10%, only document that they have 10%.

Gift must be from a family member.

Gifts can be used to pay off debt.

Gift funds cannot be counted towards reserves.

Purchase transactions only.

Gift of equity allowed only for primary residences.

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

DSCR 1-4 Transactions:

Gifts Funds are allowed for purchase transactions only and cannot be used for reserves (only for down payment/closing costs).

Gift Funds are not permitted for First-Time Investors.

Gifts must be from a family member.

100% of the down payment/closing costs can come from gift funds provided the borrower documents a minimum of 10% of the purchase price from their own funds.

The borrower does not have to actually contribute 10% only document that they have 10%.

Unsecured loans, sweat equity, gift of equity, and gifts that require repayment are ineligible for sources of down payment.

1.6.4.1 Eligible Donors and Documentation

A gift can be provided by:

- A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- A fiancé, fiancée, or domestic partner
- For any gift provided by a non-US citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

1.6.4.1.1 Documentation Requirements

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- Specify the dollar amount of the gift;
- Include the donor's statement that no repayment is expected; and
- Indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12- months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

1.6.4.1.2 Verifying Donor Availability of Funds and Transfer of Gift Funds

The seller must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- A copy of the donor's check and the borrower's deposit slip,
- A copy of the donor's withdrawal slip and the borrower's deposit slip,
- A copy of the donor's check to the closing agent, or
- A settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the seller must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may not be used to meet reserve requirements.

Gift of Equity only allowed for Primary Residence. Must meet all other guidelines for Gift Funds.

1.7 INCOME

1.7.1 INCOME ANALYSIS

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

1.7.1.1 Employment/Income Verification

- A minimum of two (2) years of employment history for both wage/salary or self-employment, is required to be documented on the loan application (FNMA Form 1003). When the borrower has less than a two- year history of employment, the Seller should document positive factors to offset the shorter employment history, such as education or training.
- Any gaps in employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
 - Sole proprietorship
 - Limited Liability Company (LLC)
 - Partnerships
 - S-Corporation
 - Corporation
- If any borrower is no longer employed in the position disclosed on the FNMA Form 1003 at the Ameritrust purchase date, Ameritrust will not purchase the loan.

1.7.1.2 Earnings Trends

When 24-months of income are analyzed for qualification, year over year income amounts must be compared using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- **Stable or increasing:** Defined as annual income that is equal to, greater than, or less than 20% below the prior year's income. The income amounts will be averaged.
- **Declining but stable:** If the 24-month earnings trend shows a decline in borrower income of 20% or more on a year over year basis, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income will be used.

1.7.2 DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Ameritrust Program Matrix criteria. The DTI ratio consists of two components:

- The borrower's monthly debt obligations include the monthly mortgage payment for the subject loan, any simultaneous loans secured by the subject property, monthly mortgage-related obligations (property taxes, hazard/flood/other insurance, HOA fees, etc.), and consumer's current debts, alimony and child support obligations.
- The borrower's current monthly documented income used to qualify for the loan. The qualifying monthly mortgage payment includes the following:
 - Fixed Rate: Note rate amortized over the total term
 - Interest Only: Note rate amortized over the remaining term after the expiration of the interest only period
 - ARMs: Qualifying rate is higher of the fully indexed rate or the note rate

- Interest Only: Qualifying rate amortized over the remaining term after the expiration of the interest only period

Monthly mortgage-related obligations include real estate taxes, property insurance, any other insurance, and any association dues.

- Calculating Real Estate Tax Payment for subject property:
 - For purchase and construction-related transactions, the Seller must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements.
 - State of California exception: Use 1.25% of the purchase price to determine the monthly tax payment.
 - For refinance transactions, use the current tax assessment.

1.7.3 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.

The Minimum Residual Income requirements are calculated using the table below; \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.

OCCUPANCY	MAXIMUM LTV	MINIMUM RESIDUAL INCOME
Full/Alt Doc – Primary	90%	\$2,500
Full/Alt Doc – Primary – DTI > 50%	80%	\$3,500

1.7.4 DOCUMENTATION OPTIONS

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard documentation includes various other types of income. See [Section 1.7.5.4 Other Sources of Income](#) for documentation requirements. Income should be calculated and documented according to Ameritrust guidelines. If a specific source of income is not referenced in the Ameritrust Guide, the Fannie Mae® guidelines for that income source may be used.

1.7.4.1 IRS Form 4506C

A signed copy of IRS Form 4506-C is required in every standard documentation credit file. See specific income documentation type if transcripts are required.

If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of “Unable to Process” or “Limitation”
- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039)
 - A copy of the notification from the IRS alerting the taxpayer to possible identification theft
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.

- Record of Account from the IRS – Adjusted Gross Income and Taxable Income should match the borrower’s personal tax return (Form 1040). Validation of prior tax year’s income. The income for the current year must be in line with prior years.

1.7.4.2 Taxpayer First Act

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. “Tax return information” is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if a Seller obtains tax return information during the origination or servicing of a mortgage loan, the Seller must obtain express consent from the taxpayer to be able to share the tax information with another party. Such sharing would extend to actual or potential owners of the loan, such as Ameritrust or any other loan participant.

To ensure compliance with the law, the [Taxpayer Consent Form](#) has been created. To comply, the Seller must include either the Ameritrust version or their own version of the document in all loan files that include tax returns.

1.7.5 STANDARD DOCUMENTATION

The Standard Income Documentation option 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.

1.7.5.1 Restrictions

- See the [Ameritrust Matrices](#) for maximum LTV/CLTV and DTL.
- A minimum credit score of 620.
- A minimum two (2) year employment history is required.

1.7.5.2 Standard Income Documentation (12- or 24-months)

Eligibility and pricing differences exist for the 12- or 24- month documentation options, see Loan/LTV Matrices and rate sheets for details.

1.7.5.2.1 Wage or Salary Income

- The borrower’s most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Income verification provided by a FNMA approved 3rd party Vendor (e.g., The Work Number[®]) evidencing income from the most recent 1 or 2 years (as applicable) along with year-to-date earnings.
 - FNMA WVOE Form 1005 is not eligible for standard income documentation unless used in conjunction with documents verifying variable income. See [Section 1.7.5.4.23 Overtime/Bonus/Commission](#).
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, the most recent one (1) or two (2) years of tax returns should be provided. The definition of “most recent” is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.

1.7.5.2.2 Self-Employed Income

- A minimum two (2) year history of self-employment is required.
- The most recent one (1) or two (2) years of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.
 - Evidence of filing may include one of the following:
 - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
 - E-mail provided from the software used to prepare the return showing successful submission of the return to the IRS.
 - If evidence of filing is not provided, tax transcripts for personal and corporate (IRS Form 1120) returns are required.
 - In lieu of tax returns, tax transcripts for the most recent one (1) or two (2) years may be provided as applicable. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower.
- If the borrower pays themselves wage income, a YTD paystub must be included in the file.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Business use of home
 - Amortization/casualty loss
 - Ordinary income (loss) from other partnerships
 - Non-recurring other (income) loss
 - Any expense(s) that can reasonably be documented to be one-time and non-recurring
 - Net operating loss carry forwards from years prior to the tax returns provided
- If the tax return date exceeds 120 days from the note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date. The P&L may be either: prepared by a 3rd party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns; the P&L is used to determine the stability of that income.

1.7.5.3 Employment Status

In all cases, the borrower's current employment status is required. Employment status can be established as follows:

Wage/Salary Borrowers:

- A YTD paystub dated within 30 days of Note date; **or**
- A verbal VOE dated no more than 10 calendar days prior to Note date. Sellers may use any type of verification form. The VOE should include the following data:
 - Borrower name

- Loan ID number
- Current position
- Verification that borrower's employment is currently active
- Employer name/company name
- Employer contact name and title
- Name of individual who completed the VOE
- Business phone number must be independently verified; **or**
- A verification via e-mail exchange with the borrower's current employer dated no more than 10 calendar days prior to Note date. Due diligence must be conducted to confirm the e-mail address for the employer is accurate. The VOE should include the following data:
 - Work e-mail address of the individual contacted at the employer
 - Borrower name
 - Current position
 - Current employment status

Self-Employed Borrowers:

Existence of the borrower's business is to be verified within 90 days prior to the Note date, through one of the following:

- Third party verification from licensed tax preparer, regulatory agency, or applicable licensing bureau, **or**
- Internet screenshot displaying the phone listing and address verification of the borrower's business, **or**
- A business bank statement dated within 90 days of the Note date for income used in qualification

1.7.5.4 Other Sources of Income

1.7.5.4.1 Alimony or Child Support

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:

- Alimony:
 - Copy of final divorce decree or final separation agreement describing the payment terms
 - Any other type of written legal agreement or court decree describing the payment terms
- Child Support:
 - Copy of final divorce decree or final separation agreement describing the payment terms.
 - Any other type of written legal agreement or court decree describing the payment terms.
 - The full amount of qualifying child support income may be treated as nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status.

1.7.5.4.2 Auto Allowance

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

1.7.5.4.3 Capital Gains

Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D.
- Third-party documentation to evidence that additional assets may be sold to support qualifying income.
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.
- Capital losses do not have to be considered.

1.7.5.4.4 Disability Income – Long Term

Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- Eligibility for the benefits,
- Amount and frequency of payments, current proof of receipt, and
- If there is a contractually established termination or modification date.

1.7.5.4.5 Employed by a Relative

Income for borrowers who are employed by a relative must be verified using Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years.
- W-2s for the most recent two (2) years.
- Paystub(s) covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

1.7.5.4.6 Employment Offers or Contract

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated prior to the Note date.

- The offer or contract cannot be for employment by a family member or interested party to the transaction.

1.7.5.4.7 Foreign Income

Foreign income is income earned by a borrower (US Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income

- Standard documentation requirements based upon the source and type of income
- Any documents not in English or US currency must be translated

1.7.5.4.8 Foster Care Income

Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income
- Documentation verifying that the borrower has received foster care income for a minimum one-year period
- Qualifying income is based upon the current amount received

1.7.5.4.9 Housing or Parsonage Income

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24-months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns are required.
- Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained.
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may not be used to offset the monthly housing payment.

1.7.5.4.10 Interest or Dividends

Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with [Section 1.2 Age of Documentation](#).

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns
- Develop an average of the income received for the most recent two (2) years
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income

1.7.5.4.11 Non-Taxable Income

- If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the seller may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.
 - Child support income: The full amount of qualifying child support income may be treated as nontaxable and grossed up at 25% without supporting documentation verifying the nontaxable status.
 - Social Security income: Income may be grossed up at 15% without documentation verifying the nontaxable status.

1.7.5.4.12 Notes Receivable Income

Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12-months using either cancelled checks, bank statements, or federal tax returns.
- Payments on a Note executed within the past 12-months, regardless of the duration, may not be used as stable income.

1.7.5.4.13 Pension, Retirement, Annuity

The following provides verification requirements for pension, retirement, and annuity income. Document regular and continued receipt of the income with one of the following:

- Statement from the organization providing the income, or
- Retirement award letter or benefit statement, or
- One (1) month financial or bank account statement evidencing the source/deposit, or
- Signed federal income tax return, or
- IRS W-2 form, or
- IRS 1099 form

In addition to the above, if retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, the provide all of the following:

- Account Statement(s) reflecting available balance for withdrawals evidencing three (3) year continuance, and
- Borrower must have unrestricted access to the accounts without penalty

1.7.5.4.14 Rental Income

Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for properties where rental income is being used to qualify, and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required.
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired.
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying.
- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial

- AirDNA is an ineligible method of documenting income for Standard Doc.
- Application of Rental Income:
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); there, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

1.7.5.4.15 Restricted Stock Units

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion.

Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years and is verified it will continue for three (3) years.
- RSU income is calculated using the past two (2) year average
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.
- Borrowers must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves.

The following documentation is required:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income.

- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
 - Tax returns for the last two (2) years, reflecting RSU income.
 - Year-end paystubs reflecting the RSU payout.
 - An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

1.7.5.4.16 Royalty Income

- Obtain copies of the following:
 - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
 - The borrower's most recently signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12-months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

1.7.5.4.17 Social Security

Social Security income for retirement that the borrower is drawing from their own account/work record will not have a defined expiration date and can be expected to continue.

Social Security income based on another person's account/work record or from the borrower's own work record, but for the benefit of another (such as a dependent) may also be used in qualifying, provided the seller documents a 3-year continuance.

Taxable Income:

- Borrower is drawing Social Security benefits from own account/work record, provide one of the following:
 - Most recent SSA Award Letter, or
 - Most recent SSA-1099, or
 - Proof of current receipt, or
 - Most recent signed federal income tax return (or tax transcript) if filed by all borrowers on the loan
- Borrower is drawing Social Security benefits from another person's account/work record or from their own account/work record for the benefit of another, provide all of the following:
 - Most recent SSA Award Letter,
 - Proof of current receipt, and
 - Proof of three year continuance
- Survivor Benefits, provide all of the following:
 - Most recent SSA Award Letter,
 - Proof of current receipt, and
 - Proof of three year continuance
- Supplement Social Security Income (SSI), provide all of the following:

- Most recent SSA Award Letter, and
- Proof of current receipt

1.7.5.4.18 Teacher Income

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

1.7.5.4.19 Tip Income

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for at least two (2) years.

Documentation will be based upon the documentation type selected (12- or 24- months). Obtain one (1) or two (2) years of federal income tax returns along with a year-to-date paystub. Income should be averaged over the time- period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

1.7.5.4.20 Trust Income

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:

- Trust verification documentation must clearly identify the date the trust was created.
- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
 - Trust verification documentation to include a letter from an accountant or attorney who has reviewed the trust's documentation when one of the following applies:
 - Trustee's statement or other documents are not available, or
 - Borrower is trustee
- Variable trust income: Use an average over the length of time per the doc type selected.
 - When variable trust income has been received for less than 24 months, but not less than 12 months, it may be considered as stable income with compensating factors
- Fixed trust income: Use the fixed payment as documented.
- If the borrower creates the trust as trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements).
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

1.7.5.4.21 Unemployment Benefit Income

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

1.7.5.4.22 VA Benefits

Document the borrower's receipt of Veteran Administration (VA) benefits with one of the following:

- Aware letter, or
- Distribution form from the VA

Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.)

Education benefits are not acceptable income because they are offset by education expenses.

1.7.5.4.23 Variable – Overtime / Bonus / Commission

Variable income sources are eligible provided the borrower has a minimum one (1) or two (2) years history of receiving such income in the same line of work, based on the documentation type. Variable income earned for less than one (1) year may not be used for qualifying income.

Variable earnings must be averaged over the most recent one (1) or two (2) years based upon the documentation type, and including the following:

- Most recent year-to-date pay stub reflecting the variable earnings, and
- Most recent W-2 form(s), and
- Documentation verifying break-down of prior year(s) earnings with one of the following:
 - Previous year-end paystub, or
 - Completed Written Verification of Employment – FNMA Form 1005, or
 - FNMA approved 3rd party Vendor (e.g., The Work Number®)

1.7.5.4.24 Ineligible Income Source

- Boarder income
- Education benefits
- Gambling winnings
- Cannabis (see below)
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes

Guidelines for income derived from cannabis:

- Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership.
- Income from borrowers who are wage earners in the industry are allowed.

1.7.6 ALT DOC-BANK STATEMENTS

Personal bank statements or business bank statements may be used to document self-employment income. Bank statements held in a foreign bank with U.S. branches insured by the FDIC are acceptable.

Bank statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating in the Fannie Mae Day 1 Certainty® process.

The Ameritrust Business Bank Statement calculator is available on the download from the [Ameritrust TPO Portal](#)

1.7.6.1 Restrictions

1.7.6.1.1 Applies to Personal/Business Bank Statements

- See the [Ameritrust Matrices](#) for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- **A Self-Employed Business Narrative Form is required.**
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
 - CPA Letter, or
 - Business License, or
 - Bank statement from 24 or more months prior to note date reflecting activity, or
 - Other reasonable evidence of business activity.
- Minimum credit score is 620.
- Nonprofit Entity not eligible.
- Income and expense documentation must be prepared or validated by an acceptable 3rd party source with knowledge of the borrower's business.
- Funds/Deposits in a IOLTA (Trust) ineligible source.
- Tax returns and 4506-C are not required for the bank statement program.
- Alt Doc income may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as wage income from spouse or domestic partner. When wage income is combined with Alt Doc, a tax return is not required for the standard full income documentation. If the 4506-C form is provided, Box 8 should be checked to obtain a transcript of W-2 earnings.

1.7.6.2 Bank Statement Options/Income Analysis

In addition to the factors described in the [Section 1.7.1 Income Analysis](#), Sellers should consider the following:

- Deposit should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

1.7.6.2.1 Personal Bank Statement Review

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements:

- 12 or 24 months of consecutive PERSONAL bank statements, the most recent statement dated within 120 days of the note date.

- Most recent two (2) months of BUSINESS bank statement.
- Verify that the borrower owns 20% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

Calculation Method:

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
 - Evidence activity to support business operations.
 - Reflect transfers to the personal account.

1.7.6.2.2 Business and Co-Mingled Bank Statement Review

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

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

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

- Verify that the borrower has 100% ownership of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- The borrower must be the sole owner of the business listed on the URLA or loan application. Borrower and spouse with combined 100% ownership of the account are eligible.

Standard Expense Ratio – 50%

Documentation Requirements

- A standard 50% expense factor will be applied to the total of eligible deposits.
- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 120 days of the note date.
- If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a

CPA/accountant, IRS Enrolled Agent, tax preparer or P&L may be used to determine qualifying income.

Income Calculation Method

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- $\text{Deposits} \times (.50) \times (\text{ownership \%}) / 24 \text{ or } 12 = \text{qualifying income}$
 - Example: $\$360,000 \times .50 = \$180,000 \times 1.00 = \$180,000 / 12 = \$15,000$

3rd Party Prepared Business Expense Statement Letter

Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 120 days of the note date and;
- Business expense statement letter to include:
 - Name of business
 - Business expenses as percentage of the gross annual sales/revenue
 - Prepared or reviewed by a 3rd party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer)
 - Signed by the 3rd party preparer/reviewer

Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- $\text{Deposits} \times (\text{expense ratio}) \times (\text{ownership \%}) / 24 \text{ or } 12 = \text{qualifying income.}$
 - Example: $\$360,000 \times .75 = \$270,000 \times .50 = \$135,000 / 12 = \$11,250$

3rd Party Prepared P&L Statement

Documentation Requirements

- 12- or 24- months of consecutive business bank statements, the most recent statement dated within 120 days of the note date and;
- P&L covering 12- or 24- months (determined by the months of bank statements provided)
 - Prepared reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or tax preparer. Documentation is required to evidence the preparer's business.
 - Signed by the 3rd party preparer/reviewer

Income Calculation Method

- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:

- The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
- Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (2 or 24).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Amortization/casualty loss

1.7.6.3 Non-Sufficient Funds

Non-sufficient funds (NSF) reflected on the bank statement must be considered. Overdraft protection fees associated with a 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: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.

Occurrences included in the analysis are subject to the following tolerances:

- An occurrence is defined as one or more checks returned the same day.
 - If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
 - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

1.7.7 ALT DOC – RENTAL INCOME

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

- Long Term Rental:
 - A copy of the lease(s) for the rental property.

- Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- If the transaction type is a purchase of an investment property, and income from the subject property is considered in the underwriting, proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.
- Short Term Rental:
 - Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
 - A screenshot of the online listing must show the property(s) activity marketed as a short-term rental
 - AirDNA is an ineligible method of documenting income for Alt Doc.
- Application of Rental Income:
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

1.7.8 ALT DOC – PROFIT & LOSS STATEMENT ONLY

Permitted for self-employed borrowers with a minimum of 25% ownership of the business. The Profit & Loss Statement (P&L) must be prepared by an individual with knowledge of the business sufficient to review or prepare a P&L Statement. Examples are 3rd party Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, or a Tax Attorney. PTIN is not allowed.

- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- Required documentation:
 - 12- or 24- month CPA, EA, CTEC, or Tax Attorney prepared P&L Statement representing total business sales and expenses for the time period covered by the P&L Statement.
 - Preparer to provide a signed document with all of the following:
 - Confirmation business has been in existence for a minimum of two (2) years
 - Indicate borrower's ownership percentage of the business
 - Current/active license or certification for the preparer:
 - State CPA license number as verified by license or screenshot from state licensing authority
 - IRS Enrolled Agent (EA) certification from IRS (e.g., screenshot of IRS website)
 - CTEC certification from California (e.g., screenshot of CTEC website)
 - State Attorney license number as verified by license or screenshot from state licensing authority
- Qualifying income:
 - Net income from the P&L Statement divided by the time period covered (12- or 24-months) multiplied by the borrower's ownership percentage.
 - Expenses on the P&L must be reasonable for the industry, Ameritrust reserves the right to request additional information.
- The following may be added back to the qualifying income calculation:
 - Depreciation
 - Depletion
 - Amortization/Casualty Loss
- Ineligible sources of income:
 - Not-For-Profit entity
 - Ameritrust reserves the right to request additional documentation when a 3rd party Certified Public Accountant (CPA), IRS Enrolled Agent (EA), CTEC registered tax preparer, or Tax Attorney prepares P&L Statements for multiple borrowers.

1.7.9 ALT DOC – IRS FORM 1099

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
 - One of the following Business expense analysis methods:
 - 90% Net Margin (10% Expense Factor), or

- 3rd Party prepared P&L (CPA, EA, accountant, tax preparer).
- A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the Employment section of the loan application.
- Qualifying income is the 12- or 24- monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented when the 1099 reporting period is greater than 120 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:
 - Checks or a single check stub(s) with YTD totals if available, or
 - Bank statements (YTD),
 - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than earnings used for qualification.
- The Alt Doc Loan/LTV matrix should be utilized, see the [Ameritrust Matrices](#).

1.7.10 ALT DOC – WRITTEN VERIFICATION OF EMPLOYMENT

A written Verification of Employment may be utilized when documenting wages/salary income. The following criteria applies:

- Two year history with the same employer is required
- Completed FNMA Form 1005
- Minimum credit score 680
- Primary Residence Only
- 24-month 0x30 housing history required
- Paystubs, Tax Returns, 4506C, or W-2's not required
- Must be completed by Human Resources, Payroll Department or Office of the Company
- Two (2) Months Personal Bank Statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- First Time Homebuyer maximum LTV 70%, no gift funds allowed
- Borrower(s) employed by family members or related individuals are not eligible
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business
- Other sources of income, documented using Alt Doc, are eligible and can be used to determine total household qualifying income
 - For the borrower utilizing the WVOE, no other active employment income may be utilized, passive income such as rental income can be included

1.7.11 ALT DOC – ASSET UTILIZATION

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under the qualification method is waived.

1.7.11.1 Restrictions

- Minimum credit score 660
- See [Ameritrust Matrices](#) for max LTV
- See [Ameritrust Matrices](#) for max DTI
 - DTI limits:
 - First time homebuyer (FTHB): 45%
 - Less than 12-month housing history: 43%
- Gift funds not eligible
- Non-occupant co-borrowers not allowed

1.7.11.2 Asset Utilization Qualifying Method

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of \$1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84.

1.7.11.3 Asset Utilization Income Documentation

Required documentation consists of the following:

- All individuals listed on the asset account(s) must be on the Note and Mortgage
- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD
- Assets must be seasoned 90 days

1.7.11.4 Assets Eligible for Depletion

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

- 100% of Checking, Savings, Money Market Accounts, and US Treasuries with maturity < 1-year.
- 100% of the cash surrender value of life insurance less any loans may be considered for assets.
- 70% of Stocks, Bonds, and Mutual Funds.
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½).
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.
- Eligible trust assets include:
 - Assets held in a revocable trust where the trustee to the trust is the borrower
 - Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust
 - Based upon the assets held in the trust, the above asset percentages apply

1.7.11.5 Assets Ineligible for Depletion

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation;

- Any assets held in the name of a business;
- Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
- Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower.

1.8 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: [Borrower Certification of Business Purpose](#) / [Occupancy Certification](#).

1.8.1 BORROWER/GUARANTOR EXPERIENCE

1.8.1.1 Experienced Investor

- An experienced residential investor is a borrower/guarantor having a history of owning and managing non-owner occupied residential real estate for at least one (1) year in the last three (3) years. Ownership of commercial income producing property may also be used as evidence of investor experience.
 - For files with more than one borrower/guarantor, only one borrower/guarantor must meet the definition.
- Ownership history can be documented for other REO with one of the following:
 - Mortgage history on credit report
 - Property profile report
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

1.8.1.2 First Time Investor

First Time Investor is a borrower/guarantor not meeting the Experienced Investor definition. Borrower/guarantor must currently own a primary residence for at least one (1) year.

- Ownership history can be documented with one of the following:
 - Mortgage history on credit report
 - Property profile report
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

First Time Investors are eligible subject to the following restrictions:

DSCR 1-4:

First Time Homebuyer/First Time Investor:

- Minimum credit score 700
- 12-months minimum rental history fully documented, if private party, must provide cancelled checks/bank statements, or PayPal etc. proof with copy of lease. 0x 30 x 12

- must provide proof of utility bill with address along with valid driver's license.
- max LTV 75% purchase to LTV matrices limit
- Minimum DSCR 1.00
- 12-months reserves
- No gifts allowed.
- No Cash out

First Time Investor:

First Time Investor is a borrower not meeting the Experienced Investor definition, but who currently has a verified 12-month housing payment history with a max LTV of 75% with minimum of 1.00 DSCR ratio with a minimum of 700 FICO score.

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 700.
- Minimum of 36-months seasoning from any credit event.
- Cash-out transactions not eligible.
- 12-months minimum rental history fully documented, if private party, must provide cancelled checks/bank statements, or PayPal etc. proof with copy of lease.
- 12-month reserves

1.8.2 1-4 FAMILY RESIDENTIAL PROPERTY

1.8.2.1 Property Income Analysis

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

1.8.2.1.1 Long Term Rental Documentation and DSCR Calculation

- Purchase Transactions
 - Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.
 - On Purchase Transactions the qualifying gross rental income figure is the higher of the 1007/1025 or the current lease provided the difference is not greater than 20%.
 - When the market rent on Form 1007/1025 is greater than 20%, seller may use up to 120% of the lease amount to qualify (e.g., lease is \$1,100 & Form 1007/1025 is \$1,500 then \$1,320 may be used to qualify). A copy of the lease is required. If the appraiser lists the rent amount for the subject on form 1007/1025, otherwise a copy of the lease is required. If subject is vacant as indicated by the appraiser, use the market rent from Form 1007/1025 with no vacancy factor.
 - When the lease is greater than 20%, the higher lease amount may be used with three months current proof of receipt of the higher rental income (or as per the terms of the lease agreement for new leases). A copy of the lease is

not required if the appraiser lists the rent amount for the subject on form 1007/1025.

- **Refinance Transactions**

- On DSCR Refinance transactions, the qualifying Gross Rental Income figure is the higher of the market rent on Form 1007/1025 or the current lease. The amount that may be used for qualifying is based on the following:
 - When the market rent on Form 1007/1025 is greater than the current lease, the Seller may use the Market Rent amount as listed not exceeding 120% of the lease amount to qualify (e.g., lease is \$1,100 and Form 1007/1025 is \$1,500, then \$1,320 may be used to qualify). A copy of the lease is not required if the appraiser lists the rent amount for the subject on Form 1007/1025. Otherwise, a copy of the lease is required. If the subject is vacant as indicated by the appraiser, use the market rent from Form 1007/1025 with no vacancy factor.
 - When the Lease is greater than the market rent, the higher Lease amount may be used with 3 months current proof of receipt of the higher rental income (or as per the terms on the lease agreement for new leases). A copy of the lease is not required if the appraiser lists the rent amount for the subject on Form 1007/1025. Otherwise, a copy of the lease is required.
 - Leases are required to be no less than twelve (12) months but may convert to month-to-month upon expiration.

Properties under rent control must be calculated rent control rate and above rules are not applicable.

For properties defined as a one-unit property with an accessory unit (ADU), rental income may be qualified from the accessory unit subject to the following:

- Appraisal must reflect that the zoning compliance is legal (permits are not required to establish zoning compliance),
- The appraisal must include at least one sales comparable with an accessory unit, and Form 1007 must include at least rental comparable with an accessory unit in which the ADU receives rental income.
- Multiple accessory units are not permitted.
- Refinance: Market rent for the accessory unit should be documented on Form 1007, and the file must include a copy of the current lease with two months proof of current receipt.
- Purchase: Use the lesser of the market rent on Form 1007 or the lease agreement.
- DSCR Calculation
 - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the Ameritrust Eligibility Matrix for required Debt Service Coverage Ratios.
 - Gross rents divided by PITIA = DSCR

1.8.2.1.2 Short Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation

Short term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

- Short Term Rental Income – Purchase and Refinance Transactions
 - LTV/CLTV limits:
 - Purchase: Lesser of 75%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
 - Refinance: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
 - See [Matrix](#) for Condo Hotel LTV/CLTV limits.
 - DSCR Calculation:
 - Monthly gross rents based upon a 12-month average to account for seasonality required.
 - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
 - $(\text{Gross Rents} \times .80) \text{ divided by PITIA} = \text{DSCR}$
- When short term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
- Any of the following methods may be used to determine gross monthly rental income:
 - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
 - If long-term rent is utilized, 20% expense factor is not to be applied.
 - An alternative market rent analysis similar to FNMA Form 1007/1025 is allowed, subject to the following:
 - Analysis must be completed pursuant to the lender's appraisal management process
 - Must be completed by a licensed appraiser
 - Must include daily rental rate and occupancy percentage.
 - The most recent 12-month rental history statement from the 3rd party rental/management service.
 - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying rental income must be net of all vendor or management fees.
 - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.

- AIRDNA (www.airdna.com) Rentalizer and Overview reports, accessed using the Explore Short-Term Rental Data, must meet the following requirements:
 - Rentalizer (Property Earning Potential)
 - Only allowed for purchase transaction
 - Gross Rents equal the revenue projection from the Rentalizer Report
 - a. The gross rents are subject to the application of the 20% extraordinary expense factor
 - b. Revenue projection equals the average daily rental rate times the occupancy rate
 - Forecast Period must cover 12-months and dated 900days within the Note date
 - Must have three (3) comparable properties, all within the same ZIP code
 - Must be similar in size, room count, amenities, availability, and occupancy
 - Maximum occupancy limited to 2 individuals per bedroom
 - Overview report (Evaluate a Market):
 - Market score or Sub-Market score by zip code
 - Market score or Sub-Market score must be 60 or greater
 - When both a Market and Sub-Market score are present, use the lower of the two
 - a. Both the Market and Sub-Market score must be at the zip code level
 - Market Research report no longer reflects zip code results in the Market/Sub-Market analysis
- AirDNA broke down zip codes into sub-markets that vary based on city, town, or neighborhood boundaries. To document the accurate Market/Sub-Market score, it is necessary to capture a screenshot of the Market Research report that includes the zip code search. This will verify the zip code used for the search matches the subject property.

1.8.2.2 Debt Service Coverage Ratio (DSCR)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest-only loans) of the subject property. See the Ameritrust Eligibility matrix for required Debt Service Coverage Ratios. See [Section 1.1.3 Qualifying Payment](#) for further guidance regarding Qualifying Payments.

- Calculating Real Estate Tax Payment for subject property:
 - For purchase and construction-related transactions, the Seller must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements
 - State of California exception: Use 1.25% of the purchase price to determine the monthly tax payment.

- For refinance transactions, use the current tax assessment

Example: Debt Service Coverage Ratio Calculation

Single Family Purchase Money Transaction Monthly PITIA = \$650

Estimated Monthly Market Rent (FNMA Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Use Market Rent of \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*).

Gross Rents (\$850) ÷ PITIA (\$650) = DSCR (1.30)

1.8.2.3 Housing History

- Housing history for the DSCR Doc type is required for the borrower's primary residence and the subject property if a refinance transaction. Any mortgage tradeline reported on the credit report for any property owned by the borrower needs to be included in the REO section of 1003.
- The documentation requirements under [Section 1.5.5.1 Mortgage Verification](#) should be followed for verification.
 - An updated mortgage history, defined as paid current as of 45 days of the loan application date, is only needed for the primary residence and subject property.
 - Primary residence owned free & clear requires a Property Profile Report or similar document.
 - Payment history evaluation for property taxes and insurance is not required.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.
- For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible, however, all refinance transactions are treated as cashout.
- First time homebuyers (FTHB) living with a spouse are eligible with the following:
 - Spouse owns the primary residence
- Evidence spouse is on title, and
 - Proof of 12-month payment history, or evidence the primary residence is owned free and clear
- For Rental History: 12-months minimum rental history fully documented, if private party, must provide cancelled checks/bank statements, or PayPal etc. proof with copy of lease. 0x 30 x 12

1.8.2.4 Restrictions

- See the [Ameritrust Matrices](#) for the maximum LTV/CLTV
- Minimum credit score of 640
- Up to 20 acres
- Gift funds permitted after a minimum 10% borrower contribution, document per [Section 1.6.2 Asset Documentation](#).

- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property.
- Cash-out on an investment property where loan proceeds are used for consumer purposes.
- When the subject property is encumbered by a blank/cross collateralized loan, the transaction is considered cashout. Copy of the note will be required to verify the payoff/release terms.
- Interest reserve accounts are not permitted.

1.8.2.5 Borrower Application

- FNMA Form 1003 (URLA) or Business Purpose Loan Application to be provided
- Borrower information section of the loan application should be completed
 - REA section at a minimum to include the borrower's primary residence and subject property if refinance.
 - Borrower's contact information to be provided on the loan application

1.8.2.6 Default Event

If a loan payment is delinquent for 60 days, Ameritrust's loan servicer will enforce provisions from the following:

- 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases
- Assignment of Leases and Rents Rider: Paragraph 5

1.8.3 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

1.8.3.1 Property Income Analysis

- Minimum DSCR ≥ 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 ≥ 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 Units) – Use 75% of market rents.
 - Max: 1 vacancy on 2-3 Unit properties, 2 vacancies on 4+ Units.
 - Vacant residential units must be actively marketed for rent. Provide screenshot of listing or other documentation.
 - Vacant commercial space not allowed.
 - Reduce qualifying rents by any management fee reflected on appraisal report.
 - Copies of any existing leases must be provided (Purchase and Refinance transactions).
 - 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.

- Income from commercial space must not exceed 49.99% of the total property income.
- Short-term rental use/income not eligible.
- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property.

1.8.3.2 Borrower Experience

- 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.

1.8.3.3 Eligible Properties

- Residential 5-8 Unit Buildings
 - Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
 - Residential Unleased Units
 - Maximum 1-unit on 2-3 unit property
 - Maximum 2-units on 4+ unit property
 - Maximum 2-acres
- Mixed Use 2-8 Units
 - Mixed use property consists of residential and commercial units. The number of commercial units is limited by the total number of units in the building as follows:
 - 2 - 3 Total Units: Max 1 commercial unit
 - 4 – 5 Total Units: Max 2 commercial units
 - 6 - 8 Total Units: Max 3 commercial units
- Vacant commercial space not allowed
- Commercial space must not exceed 49.99% of the total building area
- Commercial unit(s) may be occupied by the borrower's business
- Commercial usage limited to Retail/Office/Restaurant
- Residential Unleased Units in a Mixed Use Building
 - 2 - 3 Total Units: Maximum 1 unleased residential unit
 - 4+ Total Units: Maximum 2 unleased residential units
- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family
 - Maximum 2-acres

1.8.3.4 Property Condition

- 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. No health or safety issues (as noted by appraiser, i.e., broken windows, stairs).

- No excessive
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

1.8.3.5 Prepayment Penalty

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

1.8.3.6 Eligibility Requirements

The maximum loan term cannot exceed 30 years.

1.8.3.7 Assets

For asset documentation requirements, follow - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

1.8.4 CROSS COLLATERAL

The term cross collateral loan refers to a single mortgage that covers three (3) or more properties. The properties are held together as collateral on the mortgage, but the individual pieces of real estate may be sold without extinguishing the entire mortgage. Traditional mortgages typically have a “due-on- sale clause,” which stipulates that if property secured by the mortgage is sold, the entire outstanding mortgage debt must be paid in full immediately. With a cross collateral mortgage, a partial release clause allows the sale of portions of the secured property and corresponding partial repayment of the loan. This is done to facilitate purchases and sales of multiple units of property with the convenience of a single mortgage.

1.8.4.1 Eligibility Requirements

- Only experienced investors are eligible for cross collateral loans.
- 1-4 residential units are eligible. 5-8 Residential and 2-8 Mixed use property are not eligible.
- Seller to complete cross collateral workbook and upload to Ameritrust portal.
- Mixed transactions (i.e., Purchase, Cash-out) permitted, however, eligibility/pricing is based upon most conservative transaction type.
- DSCR: A Loan DSCR and Property DSCR is required to be calculated.
- The maximum loan term cannot exceed 30 years.
- Loan DSCR:
 - Minimum loan DSCR is 1.20
 - Loan SCR is calculated as follows:
 - Total of gross rental income for all properties/loan PITIA
- Property DSCR:
 - Minimum DSCR requirements for each property:
 - Amortizing payment – 1.00
 - Interest Only – 1.20
 - Property DSCR is calculated as follows:
 - Rental income per property/allocated loan amount PITIA

- Rental income documentation/determination, see [Section .8.2 1-4 Family Residential Property](#). Property County: Minimum – 3; Maximum – 25.
- Partial Release: 120% of the allocated balance required to be paid to obtain a partial release.
- Prepayment Penalties: Required subject to State eligibility restrictions.
 - The prepayment penalty is assessed when:
 - The loan prepays in full during the prepay period; or
 - A partial release payment is made during the prepay period. The prepay penalty amount is based upon the release price.
 - Acceptable structures include the following:
 - 5% fixed up to 5-years
 - Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example:
(5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%)
- Cash Out Seasoning – Property value based upon the lower of acquisition cost plus documented improvements or current appraised value for any property acquired within 6-months of the note date.
- Eligible Borrower Types – Vesting permitted as follows:
 - Individual(s): U.S. Citizen or Permanent Resident (See [Citizenship](#))
 - Entities: Limited Liability Company, Partnership, or Corporation (See [Vesting For Business Purpose Loans](#)).

1.8.4.2 Appraisal Requirements

- 1-4 Units
 - See Appraisal Requirements for 1-4 Unit Residential in [Section 1.9.1.1 Appraisal Requirements 1-4 Unit Residential](#) for complete criteria.
 - Review product required: SSR with a score of 2.5 or less, CDA, ARA, or ARR

1.8.4.3 Gross Rent Documentation Requirements

- Purchase
 - FNMA Form 1007, if applicable.
 - Existing lease agreement(s), if applicable.
 - If the existing lease is being transferred to the borrower, the Seller must verify that it does not contain any provisions that could affect the first lien position of the subject property.
- Refinance
 - FNMA Form 1007, if applicable.
 - Existing lease agreement(s), if applicable.
 - If subject property leased on a short-term basis is utilizing an on-line service sch as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is actively

marketed as a short-term rental. A 5% LTV reduction is required when using short term rental income to qualify.

1.8.4.4 Debt Service Coverage Ratio (DSCR) – Calculation Requirements

- Leased property: DSCR is based upon the contracted monthly rent amount from the lease:
 - A property is considered Leased” when there is an executed long term (Min. 12-months) lease agreement between the lessor and lessee.
 - Most recent two (2) months of rent payment per lease agreement is required.
- Unleased and vacant property: DSCR is based upon the estimate of the monthly rent of the subject. The final reconciliation of Market Rent must be based on a 12-month rent schedule.
 - A property is considered unleased and vacant when no long term executed lease is in place. The Borrower should provide the cause of vacancy (Letter of Explanation) for refinance transactions, such as recently completed renovation, tenant turnover, etc.
- Vacancies
 - 1-4 Units – Vacant unit qualify at 75% of market rent (Maximum 1 vacancy).

1.8.4.4.1 Eligible Tenant

- Neither the Borrower(s) nor the borrower’s immediate family shall at any time occupy the properties.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding.
- Borrower(s) must attest that all tenants are non-borrower affiliated.

1.8.4.4.2 Lease and Occupancy Requirements

- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- All units must be residential units that are currently occupied and leased to tenants, except that up to 10% of the units for a loan may be comprised of units which are currently vacant, but in lease-ready condition. Notwithstanding the foregoing, for portfolios of less than 10 units, up to one (1) unit may be vacant in the normal course of lease turnover.
- All properties must be either leased to an eligible tenant or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease Agreements that allow Single Room Occupancy (SRO), or boarder leases are not permitted.
- Third-party sale-and-leaseback agreements and contract for deed transactions will not be permitted.

- Leases must be in U.S. dollars.

1.8.4.5 Restrictions

- Gift funds are not allowed
- Escrow waivers are not allowed

1.9 PROPERTY ELIGIBILITY

1.9.1 APPRAISALS

1.9.1.1 Appraisal Requirements 1-4 Unit Residential

Ameritrust reserves the right to review all valuation reports and determine if the subject property value is supported.

Appraisers must meet all industry standards and be State Certified. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae[®] guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value. Ameritrust reserves the right to restrict the use of any specific appraiser and/or appraisal management company at its discretion.

Ameritrust will review the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. Underwriter will determine that the subject property provides acceptable collateral for the loan.

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report – Fannie Mae[®]/Freddie Mac Forms 1004/70
- Small Residential Income Property Report – Fannie Mae[®]/Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report – Fannie Mae[®]/Freddie Mac Forms 1073/465
- Appraisal Update and/or Completion Report – Fannie Mae[®]/Freddie Mac Forms 1004D/442
- Single Family Comparable Rent Schedule – Fannie Mae[®]/Freddie Mac Forms 1007/1000

Originator will order appraisals from [Ameritrust TPO Portal](#) Appraisal AMC.

1.9.1.1.1 Appraiser License and Certification

Appraisal report forms identify the appraiser as the individual who:

- Performed the analysis, and
- Prepared and signed the original report as the appraiser.

This does not preclude appraisers from relying on individuals who are not state-licensed or state-certified to provide significant professional assistance, such as an appraiser trainee.

Supervisory Appraisal

If a supervisory appraiser is used, the supervisory appraiser does not need to physically inspect the subject property or comparables, but must sign the right side of the report and certify that they:

- Directly supervised the appraiser that prepared the appraisal report, and
- Reviewed the appraisal report, and
- Agree with the statements and conclusions of the appraiser, and
- Agreed to be bound by the certifications as set form in the appraisal report forms, and
- Take full responsibility for the appraisal report.

When an appraisal is completed by a trainee, a supervisory appraiser with a certified level license is required to sign the report.

Appraisal Trainee

A trainee may perform a significant amount of the appraisal (or the entire appraisal if they are qualified to do so) and must sign the left side of the appraisal certification as the Appraiser if:

- They are working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor, and
- The right side of the appraiser certification is signed by that supervisory appraiser, and
- It is acceptable under state law.

If the jurisdiction does not provide license numbers for trainees, the term Trainee should be entered in the Other field in the Appraiser Certification section.

1.9.1.1.2 Appraisal Age

The appraisal should be dated no more than 365 days prior to the Note date.

When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and the results of the analysis must be reported on the Appraisal Update and/or Completion Report (FNMA Form 1004D).

- If the appraiser indicates on FNMA Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.
- If the appraiser indicates on FNMA Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.

Not eligible for Ameritrust purchase: Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. Ameritrust will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

1.9.1.1.3 Second Appraisal

A second appraisal is required when any of the following conditions exist:

- The loan balance exceeds \$2,000,000 for either a single property loan or the allocated loan balance of a property within a cross-collateral loan.
 - (2nd appraisal not required when Form 71A Multifamily or a commercial narrative report utilized).
- The transaction is a flip as defined in the [Property Flips section](#) of this guide.
- As required under the [Appraisal Review Products section](#) of this guide.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

1.9.1.1.4 Appraisal Evaluation

The sales comparison approach must be used as the final appraised value.

Subject Analysis

- Loans Vesting in an Entity: Borrower name disclosed on the appraisal report may reflect the individual member(s) of the entity or the entity name.

Neighborhood Analysis

- Neighborhood boundaries should be described using four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible – e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

Existing Construction

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is." These items must be reflected in the appraiser's opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, the Seller must obtain a certificate of completion from the appraiser before the mortgage is delivered to Ameritrust.
- Permanent and Functioning Heat Source – A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability.

Subject Section

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12-months prior to the effective date of the appraisal. If the answer is 'No,' the data source(s) used must be provided. If the answer is 'Yes,' the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s).
- Offering date(s).
- Data source(s) used. For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

Actual and Effective Ages

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Seller should pay particular attention to the condition of the subject property in its review of any appraisal report. When the appraiser adjusts for the "Year Built," he or she must explain those adjustments.

Accessory Dwelling Units (ADU)

Ameritrust will purchase a one-unit property with an accessory dwelling unit (ADU). An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property with an accessory unit
 - Multiple accessory units are not permitted
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use
- Rental income may be used for the accessory unit subject to the following:
 - Appraisal to reflect zoning compliance is legal
 - Permit is not required to establish zoning compliance
 - Appraisal to include at least one comparable with an accessory unit
 - Refinance - The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt
 - Purchase:

- Owner-Occupied/2nd Home: Income from the accessory unit may not be used as qualifying income
- Non Owner-Occupied: Use the lower of the market rent on FNMA Form 1007 or actual rent.

Outbuildings

A Seller must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

TYPE OF OUTBUILDING	SUITABILITY
Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property.	The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.
An atypical minimal building	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals.	The presence of the outbuildings may indicate that the property is agricultural in nature. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

Solar Panels

Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered personal property and not be included in the appraised value of the property. See [FNMA B2-3-04](#) for additional criteria.

Private Roads

Require a permanent easement for ingress and egress with provisions for road maintenance.

Transfer of Appraisal

A transferred appraisal report is acceptable provided the report meets the seller's appraisal requirements for independence.

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

1.9.1.2.1 Appraisal Age

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

1.9.1.2.2 5-8 Unit Residential Properties

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, FHLMC Form 71B, 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.

1.9.1.2.3 2-8 Mixed Use Properties

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.

Appraisal Attachments Required

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

1.9.1.2.4 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)

1.9.1.3 Appraisal Review Requirements

1.9.1.3.1 Appraisal Review Products 1-4 Residential Property

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an “as is” value for the subject property (the “Appraisal Review Value”) as of the date of the subject loan transaction.

The following options are eligible review products:

- The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the

Submission Summary Report (SSR). (Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less). If the score exceeds 2.5, the file must include either an enhanced desk review, AVM, field review, or second appraisal.

- An enhanced desk review product from one of the following choices:
 - AAR from Stewart Valuation Intelligence FKA Pro Teck
 - CDA From Clear Capital
 - ARA from Computershare
 - CCA from Consolidated Analytics
 - VRR from Homegenius Real Estate
 - Valreview Appraisal Review Value from Valligent (Veros Software Company)
- If the enhanced desk review product reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.
- AVM from an approved vendor dated within 90-days of the Note date, with the following:
 - Acceptable FSD score range
 - AVM value must be within 10% of the appraised value
- If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an enhanced desk review product, field review, or a second appraisal. These may not be from the same appraiser or appraisal company as the original report.

AVM Vendors

THE FOLLOWING AVM VENDORS ARE ACCEPTABLE	
AVM Vendor	Acceptable FSD Score Range
Clear Capital	0.00 to 0.13
Collateral Analytics	0.00 to 0.10
House Canary	0.00 to 0.10
Red Bell Real Estate (Homegenius)	0.00 to 0.10

1.9.1.3.2 Appraisal Review Products 5-8 Residential and 2-8 Mixed Use

An appraisal review product is required from one of the following:

- 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, or
- A second appraisal may be provided. The transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

1.9.1.4 Minimum Property Requirements

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.

1.9.1.5 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.

1.9.1.6 Escrow Holdbacks

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

1.9.1.7 Declining Market

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 by Ameritrust or b) the appraisal report reflects a declining market under housing trends. State eligibility is referenced on the Loan LTV Matrices.

1.9.1.8 Eligible Properties

- Single Family Detached
- Single Family Attached
- Planned Unit Development (PUD)
 - Single Family Detached homes with PUD riders
- De minimus Planned Unit Development (dPUD)
 - PUD with “de minimus” monthly HOA dues
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)
- 2-8 Mixed Use (DSCR only)
 - 2-3 Units: Max 1 commercial Unit
 - 4-5 Units: Max 2 commercial Units
 - 6-8 Units: Max 3 commercial Units

- Condominium (See [Section 1.9.9 Condominium Projects](#) for complete condominium eligibility criteria)
- Condo hotels (See [Section 1.9.9.3 Condominium Hotels](#) for complete condominium eligibility criteria)
- Modular homes
- Properties of 20 acres or less
- Leaseholds (in areas where leaseholds are common)

1.9.1.8.1 TILA Higher Priced Mortgage Loans (HPML) Appraisal Rule 1026.35(A)(1)(Property Flips) 07-10-23

- Applies to covered HPML transactions.
 - Qualified Mortgages (QM) are excluded.
- A property is considered a “flip” if either of the following are true:
 - The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement. The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.
 - The acquisition date is the day the seller became the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.
- If the property is a “flip” as defined above, the following additional requirements apply:
 - A second appraisal must be obtained.
 - If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
 - The second appraisal must be dated prior to the loan consummation/note date.
 - The property Seller on the purchase contract must be the owner of record.
 - Increases in value should be documented with commentary from the appraiser and recent comparable sales.
 - Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

1.9.1.9 Ineligible Properties

- 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.

1.9.2 ACREAGE LIMITATION

- A maximum of 20 acres
- No truncating allowed

1.9.3 STATE ELIGIBILITY

Nationwide – excluding Puerto Rico, Guam, and the US Virgin Islands.

1.9.4 TEXAS HOME EQUITY LOANS 50(A)(6)

A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in the Texas Constitution. Sellers should not rely on Ameritrust Mortgage Capital categorization of refinance loans for purposes of determining whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

1.9.5 LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and

any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Seller's title policy.

The Seller must provide documentation, and leaseholds must meet all Fannie Mae[®] eligibility requirements (i.e., term of lease).

1.9.6 AMERITRUST EXPOSURE – BORROWER LIMITATIONS

Ameritrust aggregate exposure to a single borrower and/or household shall not exceed \$7,500,000 in current unpaid principal balance (UPB) or ten (10) loans.

1.9.7 DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas for Individual Assistance, as identified by reviewing the FEMA website at <https://www.fema.gov/disaster>. 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 must be used to determine if the disaster guidelines should be followed.

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

1.9.7.1 Appraisal Completed Prior to Disaster

An exterior inspection of the subject property, performed by the original appraiser, if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition as the previous inspection, and the marketability and value remain the same.
- Inspection Report must include new photographs of the subject property and street view, through one of the following:
 - FNMA Form 1004D, or
 - Post Disaster Inspection (PDI) Report, see [Section 1.9.8.4 Post Disaster Inspection Report](#).
- Any damage must be repaired and re-inspected prior to purchase.

1.9.7.2 Appraisal Completed After Disaster

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

1.9.7.3 Disaster Event Occurs After Closing But Prior to Loan Purchase

A loan is ineligible for purchase until an inspection is obtained based on the following:

- A Post Disaster Inspection (PDI) Report from a third-party vendor (i.e., Clear Capital, Stewart/Pro Teck) may be used, see [Section 1.9.8.4 Post Disaster Inspection Report](#).
- If subject property is free of damage, nothing further is required.

- Any indication of damage reflected in the report will require a re-inspection by the appraiser.
 - If a re-inspection is required, the appraiser may utilize FNMA Form 1004D and comment on the event and certify that there has been no change to the value.

1.9.7.4 Post Disaster Inspection Report (PDI) Requirements

- Inspection must be from a third-party vendor (e.g., Clear Capital, Stewart/Pro Teck)
- Exterior color photos of the subject property and street scene
 - Address verification to be included
- Details of the damage, if any, including cost to cure
 - Color photos of damage incurred as a result of the disaster
- If repairs are required, re-inspection of the subject property to evidence repairs were completed in a workmanlike manner
- Any indication of damage reflected in the report will require the damage to be remediated prior to purchase.

1.9.8 CONDOMINIUM PROJECTS

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
 - Site Condominium
 - 2-4 Unit project provided the following are met:
 - Project is not ineligible. See [Section 1.9.9.4 Ineligible Projects](#).
 - Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
 - Homeowner's association dues to be included in DTI/DSCR if applicable.
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that:

- Are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; **or**
- Has improvements in need of substantial repairs and rehabilitation including many major components; **or**
- ‘Impedes the safe and sound functioning of one or more of the building’s major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; **or**
- Has critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project’s building(s); **or**
 - Unfunded repairs costing more than \$10,000 per unit undertaken within the next 12-months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Florida Condominiums:
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
 - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
 - Projects with an unacceptable or no inspection are ineligible
- See the current [Matrix](#) for maximum LTV/CLTVs and loan amounts.
- Ameritrust project exposure maximum shall be \$5,000,000 or 20% of the total units in a project greater than 4 units, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV. Completion of the Homeowners Association (HOA) questionnaire is not required for site condominiums.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom.
- Commercial space allowed up to 50% of the project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from

the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.

- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

1.9.8.1 Established Projects

- 90% of the total units in the project must be sold and conveyed to the unit owners
- 40% of the total units in the project must be owner occupied
- All phases are complete
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report

1.9.8.2 New or Newly Converted Projects

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.

1.9.8.3 Condominium Hotels

- Condominium Hotel (a.k.a. Condo Hotel, Condotel)
 - Projects Where the units are individually owned, and the project offers hotel amenities.
 - Hotel amenities may include on-site registration, housekeeping services, and other hospitality services
 - A project that offers rentals of units on a daily, weekly, or monthly basis.
 - Occupancy Type: Primary, Second Home, or Investment
 - Maximum LTV/CLTV (may vary by product, see [Loan/LTV Matrix](#))
 - Maximum Loan Amount:
 - Full/Alt Doc: \$2.5 million
 - DSCR: \$1.5 million
 - Investor concentration, within the subject project, may exceed established project criteria, up to 100%.

- Gross rents (for all income doc types) reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
- Minimum square footage: 500
- Fully functioning kitchen – appliances to include a refrigerator and cooktop/stove/oven
- Separate bedroom required
- Florida Condominiums:
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
 - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements
 - Projects with an unacceptable or no inspection are ineligible

1.9.8.4 Ineligible Projects

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home project.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment
 - A 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.
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.

- Any project in need of critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project's building(s); or
 - Unfunded repairs costing more than \$10,000 per unit undertaken in the next 12-months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.

1.9.8.5 Condominium Insurance Requirements

Project to meet all Fannie Mae[®] insurance requirements for property, liability, and fidelity coverage, except for the master insurance deductible.

1.9.8.5.1 Master Insurance

Master property insurance policies are required for the common elements and residential structures unless the condo project requires individual property insurance policies for each unit. In that case, the individual property insurance policy must meet the requirements listed below.

Master insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit 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. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce or otherwise settle losses at anything other than replacement cost basis are also unacceptable.

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 damage, 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. A Property (Hazard) insurance policy is required for all loans.

The hazard insurance coverage should be equal to the lesser of:

- Replacement Cost Estimator o Provided from the property insurer, **or**
- Provided from a 3rd party source (i.e., CoreLogic)
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage(s)

The maximum deductible amount is based on the following:

- 5% deductible for LTV > 80%
- 10% deductible for LTV ≤ 80%

Condominium Insurance Requirements

Project to meet all Fannie Mae® insurance requirements for property, liability, and fidelity coverage, except for the master insurance deductible

Master Insurance

Master property insurance policies are required for the common elements and residential structures unless the condo project requires individual property insurance policies for each unit. In that case, the individual property insurance policy must meet the requirements in Hazard Insurance Requirements.

Master insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are also unacceptable.

- Master liability of at least \$1,000,000 is required per occurrence
- Maximum deductible is 10%

Master insurance policy must include the project name and project address for the location of the condo project. Borrower name, unit number, and mortgagee clause are not required to be included in master insurance policy.

Fidelity or Employee Dishonesty Insurance

For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least the sum of three months of assessments on all units in the project is required.

HO-6

Borrowers must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit. If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or “walls-in” coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

The maximum deductible amount is based on the following:

- 5% deductible for LTV > 80%
- 10% deductible for LTV ≤ 80%

Master Flood Insurance

The condominium homeowners’ owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage: Building Coverage must equal the lesser of:

- 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure);
- or
- The total number of units in the condominium building times \$250,000

Contents Coverage must equal the lesser of:

- 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members;
- or
- The maximum amount of contents coverage sold by the NFIP for a condominium building. Deductible may not exceed the maximum deductible amount currently offered by NFIP.