



AMERITRUST RUBY 1-4 DSCR FULL GUIDELINES

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1.0 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

Ameritrust Mortgage Corporation herein referred to as ATM, Credit Guidelines establish standards and criteria in which a loan will be eligible for purchase by ATM. Sellers should use these Guidelines to understand how ATM assesses risk and to understand ATM program specifics and our process flow. While these Guidelines represent sound

underwriting principles, Sellers are the Lenders extending credit to any applicants. If a topic is not addressed within these guidelines, ATM will align with Fannie Mae (FNMA), Chapter B3-1, Manual Underwriting guidelines.

The Credit Guidelines provide detailed requirements for purchase eligibility, but ATM is not obligated to purchase a loan even if it satisfies these requirements. Compliance with these guides does not create a commitment by ATM to purchase. Further, ATM does not require Sellers to make loans simply because they are eligible for sale to ATM, nor does ATM prohibit sellers from originating loans that are not eligible. ATM has sole discretion to fund any loans.

State and Federal specific regulatory requirements supersede all underwriting guidelines set forth by ATM.

1.0.1 Seller Responsibilities:

ATM Credit Guidelines must be interpreted and applied by the Seller in a manner that complies with the laws and regulations established by the Consumer Financial Protection Bureau (CFPB) and any other applicable laws and regulations.

ATM has a no-tolerance policy as it relates to fraud. Sellers should have and continue to follow their own established fraud and identity procedures for every loan to prevent and detect fraud (including, but not limited to, Social Security Number Verification, verbal verifications of employment, processing of 4506- C, USPS, OFAC,

AML and any other Exclusionary Lists). Loans containing fraudulent documentation or information will not be purchased by ATM. Any determination of Seller involvement and/or knowledge of misrepresentation will result in the dissolution of any buyer-seller relationship. The appropriate agencies will be notified.

1.0.2 Additional Requirements:

- Deviations from the underwriting guidelines based on compensating factors need to be documented in the loan file.
- Negative Amortization Feature or Equity Participations are not permitted.
- ATM does not purchase loans defined as high-cost mortgages (or equivalent terms) under Federal or state law.
- U.S. Territory loans are not allowed. Properties must be in the United States.

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- None of the Mortgaged Properties are secured by manufactured housing or unique property types, including without limitation, timeshares, agricultural properties, log homes or geodesic domes. No Mortgage Loans that finance builder inventory are permitted.
- With respect to each Mortgage Loan, (1) each Mortgagor or Guarantor is a natural person and (2) at the time of origination, the Mortgagor or Guarantor was legally entitled to reside (or legally own for Foreign Nationals) in the United States.

1.1 Borrower Experience

1.1.1 Experienced Investor

- An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least one (1) year in the last three (3) years. For files with more than one borrower, only one borrower must meet the definition.
- Experience can be documented by one of the following:
- Complete the REO schedule on the **FNMA 1003 loan application**, or
- Provide a property profile report, or
- Other 3rd party documentation

1.1.2 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 of 75% with minimum of 1.00 DSCR ratio.

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 680.
- 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

1.1.3 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.
- 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

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- 12-months reserves
- No gifts allowed.
- No Cash Out

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow but is typically offset by the value of the property securing the loan.

1.2 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:

- Max LTV 75%
- Fico score 700
- Minimum 12 months reserves
- 12-month rental history, reflecting 0x30, documented per **Section 2.5 Housing History**

1.3 BORROWER STATEMENT OF BUSINESS PURPOSE (DSCR – INVESTMENT PROPERTY)

All DSCR 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 in this guide. 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.

1.3.1 BORROWER 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”.

1.3.2 Borrower Eligibility

US Citizen as defined by USCIS

Foreign National (See specific guidelines)

Permanent Resident Aliens (see 1.3.3)

Non-Permanent Resident Aliens (see 1.3.4)

1.3.3 PERMANENT RESIDENT ALIEN

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 include 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.”
- Eligible without guideline restrictions.

1.3.4 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, lenders must validate the borrower has employment authorization. This may be documented with either an EAD or a VISA permitting employment.

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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 2.0 Credit**.

Employment Status Documentation is required for all borrowers, and may consist of one of the following:

- Employment Authorization Documents
 - A valid current Employment Authorization Document (EAD), Form I-765, 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 up to 540 days if an automatic extension has been granted.
- If EAD is not provided, employment authorization may be evidenced by certain VISA types. Some common VISAs allowing employment include:
 - E-3, H-1B, L, O, and P
- Asylum – Individuals granted asylum are eligible, documentation includes one of the following:
 - Form I-765 Employment Authorization referencing C08
 - After being granted asylum in the United States, DHS issues a Form I-94, Arrival/Departure Record, to asylees. Form I-94 will contain 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.”
- Guideline restrictions:
 - DSCR Documentation (Investment Only): Maximum LTV/CLTV 75%.
 - Gift funds are not allowed

Deferred action for childhood arrivals

Deferred Action for Childhood Arrivals (DACA) - On June 15, 2012, the Secretary of Homeland Security announced that certain people who came to the United States as children and meet several guidelines may request consideration of deferred action for a period of 2 years, subject to renewal. They are also eligible to request work authorization. Deferred action is an exercise of prosecutorial discretion to defer removal action against an individual for a certain period of time. Deferred action does not provide lawful status. Individuals who can provide documentation of

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current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number, or proof of application for a SSN, along with a 2-year U.S. credit and employment history. Eligible forms of documentation may include the following:

- Consideration of Deferred Action for Childhood Arrivals – Form I-821D.
- Application for Employment Authorization – Form I-765
- Worksheet – Form I-765WS.

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

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

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TEMPORARY EMPLOYMENT VISAS – ADDITIONAL INFORMATION			
Visa Category	Visa Type	Brief Classification Description	USCIS Period of Stay/Extension Requirements – Income Continuity, Stability, and Dependability Considerations
Temporary Employment Visa	H1-B	Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models	<ul style="list-style-type: none"> An H-1B specialty occupation worker or fashion model, Maybe admitted for a period of up to three years. The time period may be extended, but generally cannot go beyond a total of six years, though some exceptions do apply.
	L-1A	Intracompany Transferee Executive or Manager	<ul style="list-style-type: none"> Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. All other qualified employees will be allowed a maximum initial stay of three years. All L-1A employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of seven years.
	L-1B	Intracompany Transferee Specialized Knowledge	<ul style="list-style-type: none"> Qualified employees entering the U.S. to establish a new office will be allowed a maximum initial stay of one year. All other qualified employees will be allowed a maximum initial stay of three years. All L-1B employees, requests for extension of stay may be granted in increments of up to an additional two years, until the employee has reached the maximum limit of five years.
	O-1A/ O-1B/ O-2	Individuals with Extraordinary Ability or Achievement	<ul style="list-style-type: none"> An initial period of stay for up to 3 years. USCIS will determine time necessary to accomplish the initial event or activity in increments of up to 1 year. New petitions involving new events or an event that, on case-by-case basis is determined to be materially different from the event in the initial petition may be approved for up to 3 years.
	P-1A	Athlete	<ul style="list-style-type: none"> Individual athlete - The time needed to complete the event, competition, or performance. This period of time cannot exceed five years. Extensions of Stay in increments of up to five years in order to continue or complete the event, competition, or performance. Total stay is limited to 10 years.
	P-1B	Member of an Internationally Recognized Entertainment Group	<ul style="list-style-type: none"> Time needed to complete the event, competition or performance, not to exceed one year. Extensions of Stay in increments of up to one year in order to continue or complete the same event, competition or performance for which you were admitted.

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EAD ELIGIBILITY MATRIX

Certain borrowers may hold an EAD which does not require a corresponding Visa type. Borrower's holding the **EADs noted below are eligible without a Visa.**

EAD Code	EAD Code Definition
C09	Adjustment of status applicant
C10	<ul style="list-style-type: none">• Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants• Applicant for suspension of deportation• Applicant for cancellation of removal
C24	LIFE legalization applicant
C31	<ul style="list-style-type: none">• Principal beneficiary of an approved VAWA self-petition• Qualified child of a beneficiary of an approved VAWA self-petition
C33	Deferred Action for Childhood Arrivals

1.4 INELIGIBLE BORROWERS

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

1.5 VESTING FOR CONSUMER AND BUSINESS PURPOSE LOANS

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see **Section 4.1 Leasehold Properties**.

Title must be in the borrower's name (owner-occupied property) at the time of application for refinance transactions.

Eligible forms of vesting are:

- Individuals
- Inter vivos revocable trust
- Joint tenants
- Tenants in Common
- Illinois land trusts
- Vesting is permitted in an Entity with requirements **1.8**.

Ineligible forms of vesting are:

- Land trusts
- IRAs
- Blind trusts

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.

Trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. Trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more

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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).
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

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

The following documentation is required:

- If the trust was created under California law:
 - A fully executed Certificate of Trust under Section 18100.5 of the California Probate Code, **or**
 - A copy of the Trust Agreement.
- If the trust was created under the laws of a state other than California:
 - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
 - Trust is revocable.
 - The borrower is the settler of the trust and the beneficiary of the trust.
 - The trust assets may be used as collateral for a loan.
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee.
 - The borrower.
 - The settler.
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

A Seller delivering a loan that has an Inter Vivos Revocable Trust as mortgagor is responsible for all of the following:

- Determining that both the trust and the mortgage satisfy eligibility criteria and documentation requirements.
- Determining under the laws of the states in which it does business that it can originate mortgages to validly created inter vivos revocable trusts.
- Completing a review of the mortgage documentation, applicable state law, and the trust documents to ensure that title insurers provide full title coverage without exceptions for the trust or the trustees for inter vivos revocable trusts in that state.

1.5.1 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:

- Restricted to single-purpose entities for the ownership of business purpose investment property.
- Multi-level entity structures are allowed subject to entity documentation requirements met for all entities.
- Entity must be domiciled in a U.S. State.
- Entity is limited to a maximum of four (4) member(s) or manager(s).
- At least 50% of the member(s)/manager(s) must be a guarantor and execute a Personal Guaranty. Personal Guaranty form is available on the AmeriTrust website: www.ameritrusttpo.com
- A guarantor must have authority to execute loan documents on behalf of the entity.
- Each Entity member 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.

Guarantor(s) documentation:

- Loan Application (e.g., FNMA Form 1003 or other application).
- 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 LLC name.
- Signed by Individuals.
- Credit report from at least one (1) guarantor. See **Section 2.0 Credit Reports**.
- Loan documents.
- Business purpose loan disclosures as applicable (e.g., GFE, TIL, LE, CD, ECOA)
- Any state or federally required settlement statement as applicable.
- 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.
- 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**.

1.5.2 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)
 - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (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 is 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 members of LLC may use EIN or the guarantor social security number.
 - Multi-member LLCs require an EIN.

Corporation

- Filed 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)
 - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (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 or clear search

Partnership

- Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
- Partnership Agreement and all amendments

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- 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)
 - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (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.

1.5.3 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.

1.6 OCCUPANCY ELIGIBILITY

Borrower Types	Description
<p>DSCR Experienced</p>	<p>A DSCR Investment Property is defined as a 1 to 4-unit residential property where the borrower (nor any relative of the borrower) cannot occupy.</p> <p>Requirements:</p> <ul style="list-style-type: none"> • First Time Investor(s) FICO 680 are permitted with minimum 1.00 DSCR, 12 months reserves, verified 12-month housing payment history and max 75% LTV. • First Time Home Buyer FICO 700 are permitted with minimum 1.00 DSCR, 12 months reserves, verified 12-month housing payment history and max 75% LTV • All investment property loan programs require a borrower executed Business Purpose and Occupancy Affidavit. The borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose Affidavit (sample document included in the Appendix Section of this guide).
	<p>Any loan whereby the proceeds are used for personal, family, or household purposes is considered a consumer transaction and is ineligible for the DSCR Program. This includes cash-out on an investment properties where the loan proceeds are used for any personal use.</p>

1.7 ELIGIBLE TRANSACTION

1.7.1 PURCHASE MONEY

- 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 not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
 - The purchase contract cannot expire.
 - Borrower as the purchaser of the property.
 - Seller as the vested owner on title.
 - Correct sales price.
 - Amount of down payment.
 - Closing dates.
 - Concessions and seller contributions.
 - Delayed 1031 Exchanges are only permitted for down payment and cash to close.
 - HELOCs and 2nd liens not permitted.

1.7.2 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. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
- 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.

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- If the subject property was acquired more than six (6) months from application date, the appraised value will be used to determine LTV/CLTV. If the property was acquired less than or equal to six (6) months from the application 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 application date, and is seasoned less than 12 months, will be considered a cash out refinance.
- New Rate & Term Refinance Transaction: Current first lien mortgage payoff amount + Any seasoned non-first lien mortgage payoff amounts on the subject property as defined above +Closing cost (must be reasonable and within market standards) +Prepayment Fees + Court Ordered buyout settlement (if applicable) = New Loan Amount

1.5.3 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.
- 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.
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
 - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in **Section 1.11.1 Prepayment Penalty** are met.
 - 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 purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
- Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.
 - A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.
 - For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
 - If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.

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- Cash-out seasoning of six (6) months or less is allowed with the following restriction:
 - The Seller has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

1.7.4 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.

1.8 LISTING SEASONING

Investment Properties:

- A listing expiration of less than six (6) months is permitted with a 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.

1.8.1 INELIGIBLE PROPERTY TYPES

- Manufactured housing or Manufactured Homes
- Working Farms
- Time-shares
- Boarding houses
- Rural properties on greater than 20 acres
- Commercial properties

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- Vacant lots
- Log Homes
- Mixed Use Properties
- Assisted Living
- Properties Under Construction
- C5 or C6 Property Condition Grades
- Unique Properties
- Work escrows are not permitted
- Agricultural properties
- Geodesic domes
- Tenancy in Common properties
- Properties with less than 500 square feet living space
- No Mortgage Loans financing builder inventory is permitted.
- Properties with values in excess of the predominant value of the subject's market area may be ineligible

1.9 ARM'S LENGTH TRANSACTIONS

1.9.1 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]).

1.9.2 ELIGIBLE NON-ARM'S LENGTH TRANSACTIONS

- Purchase between family members.
 - Full Documentation 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.

1.9.3 NON-ARM'S-LENGTH RESTRICTIONS

- Borrower to provide verification of earnest money deposit.
- For-Sale-By-Owner (FSBO) transactions must be arm's-length.
- 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.

1.10 INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Interested Party Contributions (Seller Concessions)

Non-Owner Occupied

- 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.

1.11 ESCROWS – IMPOUND ACCOUNTS

Escrows may be established for funds collected by the seller, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and other insurance) premiums, water/sewer taxes and ground rents.

Escrow Waivers

- Flood Insurance premiums are not allowed to be waived.
- Escrow funds/impound accounts can be waived for property taxes and hazard insurance, for non-HPML loans or exempt business purpose loans when the following requirements are met:
 - LTV less than or equal to 80% Minimum decision credit score of 720
 - Minimum 12-months of reserves

For all 1st liens, if both taxes and insurance aren't escrowed, LLPA adjustments apply.

1.11.1 PREPAYMENT PENALTY

Investment Property Only

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- Six (6) months of interest – The prepayment charge will be equal to six (6) months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period. (Not eligible under cross-collateral, 5-8 unit, or 2-8 mixed use.)
- A fixed percentage of no less than 3% and no higher than 5% - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that are paid off due to sale or refinance.
- 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%) – The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that are paid off due to sale or refinance.

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

The following state restrictions apply:

- Prepayment penalties are not allowed in AK, KS, MI, MN, NM, and RI.
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ.
- Ohio – Prepayment penalties are not allowed on loan balances less than \$110,223 for the calendar year of 2024.
- Pennsylvania – Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2024 the base figure amount is \$312,159.
- Only declining prepayment penalty structures are allowed in MS.
- Washington – Prepayment penalties are not allowed on ARM loans.

2.0 CREDIT

2.1 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) unfreezes 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.

Credit Score DSCR Documentation: Determine a decision credit score for each borrower/guarantor (lower of two or middle of three). Use lowest decision credit score amongst all borrowers/guarantors to determine loan eligibility unless borrowers are 50/50 owners and income is equal, the higher middle score can be used.

Min: 2 reporting 24-months w/activity in last 12- months or 3 reporting 12-months w/recent activity

For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually).

2.2 GAP CREDIT REPORTING

Business purpose DSCR transactions are excluded from this requirement.

2.3 FRAUD REPORT

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrowers/Guarantors, Sellers, Brokers, Loan Officers, and Real Estate Agents) must be included in the fraud report performed by an automated fraud and data check vendor solution (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 (lender).

“high” alerts or “red flags” directly through the vendor solution or with an attestation. The attestation must address each “high” alert, or “red flag” noted in the fraud report. AmeriTrust may request additional documentation to address the high fraud risk.

2.4 CREDIT INQUIRIES

DSCR loans are excluded.

2.4.1 CREDIT SCORES

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

Tradeline Requirements

All borrowers should have an established credit history that is partially based on tradeline history. If a Borrower has three credit scores reporting on credit, then the minimum credit tradeline requirements for that borrower has been met.

All eligible borrowers will have open and active tradelines that meet the following requirements:

Required Tradelines	Active Reporting Period	Min FICO Required
3 Tradelines	≥ 12 Months	Per Matrix
OR	≥ 24 Months	Per Matrix
2 Tradelines		

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

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

A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:

# of Borrowers	# of Scores per Borrower	Methodology
1	2 or 3	Lower of 2 or the Middle of 3 FICO Scores
2 or more	2 or 3	<ul style="list-style-type: none"> • Determine the lowest score of each borrower, lowest score of that result is a representative score • If 2 of the 3 credit scores are identical, the identical score is your mid score • If borrowers are 50/50 owners and income is equal, the higher middle score is used

2.5 HOUSING HISTORY

- DSCR transactions require a 12-month housing payment history; if renting, must **be from a third-party- if private party, required cancelled checks/bank statements or pay-pal etc.** for proof for primary residence and subject property (if refinance) for Housing History.
- All required payment history will be used for program eligibility.
- Housing payments must be paid current as of 45 days of the loan application date.
- Any Real Estate Owned free & clear require a Property Profile Report or similar document.
- Property taxes, hazard insurance, and homeowner's association dues (if applicable) are to be verified and included in DTIF.
- 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 required on previous primary residence.

Mortgage(s) not reporting on credit report.

The lender must document mortgage history not reporting on credit report with all the following:

- Request for Verification of Mortgage Form completed by the creditor:
 - A 12-month mortgage history is required for DSCR 1-4 Residential, for the borrower/guarantor's primary residence and subject property (if refinance).
- Evidence of monthly payments made by the borrower for most recent 6 months:
 - Cancelled checks, ACH payment, bank transfer, etc.
 - Payments made in cash are not eligible.
- Copy of Note with terms of the loan:
 - Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent.
- If subject transaction is a refinance, mortgage payoff statement is required from the creditor:
 - A payoff statement that reflects late fees, deferred balance, or delinquent interest are subject to housing history and/or credit event criteria.

2.5.1 RENTAL VERIFICATION

A 12-month rental history is required 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 statements including payment history, etc.).

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NO HOUSING HISTORY OR LESS THAN 12 MONTHS VERIFIED

Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable.

Properties owned free and clear are considered 0x30 for grading purposes. Experienced investors who provide verification of living rent free are acceptable provided they own other REOs with acceptable mortgage financing history. A “rent-free” letter of explanation from the homeowner is required. Borrowers who do not have a complete 12-month housing history are ineligible for the program.

2.6 COLLECTIONS, JUDGEMENTS, LIENS

Judgments, Garnishments and Liens: The borrower must pay-off all open judgments, garnishments, and liens (including mechanics liens or material men’s liens) prior to the loan closing

- Collection Accounts and Charge-offs do not have to be paid in full if the following applies:
 - Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000
 - Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence
 - Collections and charge-offs that have passed beyond the statute of limitations for that state (supporting documentation required)
 - All medical collections
 - Exceptions: IRS repayment plans with 3 months history of payments may remain unpaid
- Pas Due Accounts must be brought current

2.7 BANKRUPTCY HISTORY

See Product Matrices for details.

2.8 FORECLOSURE / SHORT SALE / DEED-IN-LIEU SEASONING

See Product Matrices for details.

2.9 FORBEARANCE, MODIFICATION, OR DEFFERALS

See Product Matrices for details.

2.10 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 90 days of the loan note date.

2.10.1 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 a non-borrowing spouse are considered 100% of the borrower's funds)
 - Account number.
 - Statement date
 - Time period covered by the statement.
 - Available balance in U.S. dollar denomination
 - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in in a Trust require the following:
 - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
 - Document the conditions under which the borrower has access to the fund.
- 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. Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).
- Spousal accounts - Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the requirements outlined in Verification of Assets.
 - Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.

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Large deposits do not need to be sourced on THE ABOVE FOR – DSCR loans.

- 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. The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
- Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
- Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
- Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30 days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

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

2.10.2 VERIFICATION OF ASSETS

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

- Verification of Deposit (VOD) Form. The information must be requested directly from the depository institution. The completed, signed, and dated document must be sent directly from the depository institution.
- Bank statements and investment portfolio statements
- **Large cash deposits are not an acceptable asset source**
- Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The statements must cover account activity for the most recent 30 days. A summary statement will not be accepted.

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- The statements may be computer generated forms and must include or state the following:
 - The borrower as the account holder
 - The account number(s)
 - The timeframe the statement(s) cover
 - All deposits and withdrawal transactions
 - The previous close balance, the current balance, and the ending account balance.
 - Retirement account statements must be from the most recent period and show the borrower's vested amount and terms.

2.10.3 OTHER REQUIREMENTS

- Assets must be seasoned 30 days and any large deposits as determined by the underwriter will need to be sourced. (**See Section 8.4 for Foreign National requirements)
- The borrower must demonstrate they have 10% of their own funds for the down payment.
- Gift Funds:
- Gifts must be from a family member. Gifts can be used to pay off debt.
 - The borrower must have a minimum of 10% of their own funds verified before gift funds may be used
 - Gift funds cannot be counted towards reserves
 - Purchase transactions only
- Unsecured loans, sweat equity, and gifts that require repayment are ineligible for sources of down payment.

2.11 RESERVES

- The AmeriTrust loan program requires minimum reserves as outlined on the AmeriTrust Loan\LTV 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 (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 or <65% LTV.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, 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.

2.11.1 Reserve Requirements

Program	Loan Amount	**Months
	\$1,000,000 - \$1,500,000	2 months
	>\$1,500,000- \$2,500,000	6 months
	>\$2,500,000 or FN	12 months
	R/T Refinance with <65% LTV or over 65% LTV resulting in reduction of P&I 10% or greater and housing 1x30x12	No minimum reserves required
First Time Investor/FTHB	Any Loan Amount	12 months
Foreign National	Any Loan Amount	12 months PITIA reserves plus 2 months for each additional financed properties.

**Reserves are not stacked with the exception of Foreign Nationals which require reserves for additional financed properties.

2.12 GIFT FUNDS

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

- For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds. **Gift funds are allowed at 100% with 10% LTV reduction minimum 700 fico score.**

2.12.1 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.

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Documentation Requirements

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

SECTION 1 - specify the dollar amount of the gift.

SECTION 2 - specify the date the funds were transferred.

SECTION 3 - include the donor's statement that no repayment is expected; and

SECTION 4 - 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:

SECTION 1 - 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.

SECTION 2 - 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.

Verifying Donor Availability of Funds and Transfer of Gift Funds

The lender 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:

SECTION 1 - a copy of the donor's check and the borrower's deposit slip,

SECTION 2 - a copy of the donor's withdrawal slip and the borrower's deposit slip,

SECTION 3 - a copy of the donor's check to the closing agent, or

SECTION 4 - a settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the lender 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.

2.13 Collateral

2.13.1 Maximum Financed Properties

- ATM's exposure may not exceed \$6MM or 10 loans aggregate to any one borrower.
- DSCR <1 is limited to a maximum \$2MM to any one borrower
- There is no limitation to the total number of financed properties a borrower may own when the subject property is an investment property.

2.14 Eligible Property Types

- Single Family Dwellings • Single Family Dwellings with One Accessory Unit (ADU)
- 1-4 Family Dwellings
- Planned Unit Development (PUDs)
- Condominium
- Co-Ops
- Modular homes
- Leaseholds (in areas where leaseholds are common)

2.15 Ineligible Property Types

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

2.16 Declining Markets

Properties with appraisals that show the “Neighborhood – Housing Trends” marked as Declining may be subject to a reduction in LTV/CLTV. The distinction of a Declining market is determined by the Appraiser. Appraisers are required to pull median house price data over the last 12 months and analyze it to determine the market trends for that area and property type. LTV reductions are outlined below:

DECLINING MARKETS			
Required to be applied for LTVs > 65%			
Property Value	Demand	Market Time	Reduction to LTV
Declining	Any	Any	5%

2.17 FLIPS

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

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing
- No assignments of the contract to another buyer
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained
- Flip transactions must comply with the HPM L appraisal rules in Regulation Z. The full Reg Z revisions can be found at <https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/>. A second appraisal is required in the following circumstances:
 - Greater than 10% increase in sales price if seller acquired the property in the past 90 days
 - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days

2.18 PROJECT REVIEW WARRANTABLE

FNMA eligible Warrantable projects are permitted. Site Condos meeting the FNMA definition are eligible for

single-family dwelling LTV/CLTV. Maximum project exposure shall be \$2,000,000 or 15% of project whichever is lower.

NOTE: UW Attestation and/or documentation clearly stating whether the property is a warrantable or non-warrantable condo required.

2.19 PROJECT REVIEW NON-WARRANTABLE

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

NON-WARRANTABLE CONDOS	
CHARACTERISTIC	EXCEPTION CONSIDERATIONS
COMMERCIAL SPACE	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be “typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
COMPLETION STATUS	The project, or the subject’s legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
DELINQUENT HOA DUES	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
INVESTOR CONCENTRATION	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condo project can be demonstrated.
HOA CONTROL	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA RESERVES	HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
LITIGATION	Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.

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<p style="text-align: center;">NEW PROJECTS</p>	<p>The project or the subject’s legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.</p>
<p style="text-align: center;">SINGLE ENTITY OWNERSHIP</p>	<p>Single entity ownership in project up to 25%.</p>
<p style="text-align: center;">CONDOTELS</p>	<ul style="list-style-type: none"> • 50% of the total units in the project or subject’s phase must be sold or under contract. • Project or subject’s legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete. • Project may be subject to additional phasing. • HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only. • Maximum LTV/CLTV Purchase: 75% • Maximum LTV/CLTV R/T and Cash-Out: 65% • Minimum Loan Balance: \$150,000 • Maximum Loan Amount: \$1.0 million • Max DTI 50% or Min DSCR of 1 • Primary, Second Home and Investments • Investor concentration, within the subject project, may exceed established project criteria, up to 100% • Minimum square footage of 500 and at least 1 Bedroom required. • Fully functioning kitchen – define as a full-size appliance including a refrigerator and stove/oven. • Projects with names that include the words “hotel,” “motel,” “resort,” or “lodge” are acceptable. • Project must have obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel ratings providers including, but not limited to, travel agencies, hotel booking websites, and internet search engines.

2.20 APPRAISAL

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

- Properties must be appraised within the 12 months that precede the date of the mortgage. When the appraisal report is more than 120 days old, the appraiser must perform a **recertification of value** per FNMA 1004 D or FHLMC Form 442 which includes inspection of the exterior of the property and review of current market data to determine whether the property has declined in values since the date of the original appraisal.

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Additionally, investor reserves the right to require additional appraiser re-valuation reports depending on age of documentation at time of full loan delivery/purchase.

- Uniform Residential Appraisal Report (URAR) with color photos
- FNMA form 1004 / FHLMC Form 70 for use on one-unit properties including individual units in Planned Unit Development (PUD) projects. See ATM Credit Matrix for additional appraisal requirements.
- Obtain Appraisal Form 1007 and use 100% of the gross market rent in DSCR calculation.

2.20.1 VALUATION OVERVIEW

- ATM uses FNMA Guidelines as our minimum appraisal standards for all written appraisal reports. Reports must include/have, at a minimum, the following:
- Uniform Appraisal Standards
- Appraiser Independence
- Appraiser Competency
- Fair Lending Requirements
- Vendor Selection Process
- Acceptable Appraiser Practice Standards
- Compliance with the Uniform Standards Professional Appraisal Practice (USPAP), as established by the Appraisal Standards Board of the Appraisal Foundation
- Properties in excess of the predominant value of the subject market area are acceptable provided they are supported by similar comparable and also represent the highest and best use of the land as improved
- See complete FNMA Guides at <https://selling-guide.fanniemae.com/Selling-Guide/>
- See complete USPAP Guides at www.uspap.org

2.20.2 Appraiser Independence

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

- Appraisers must have no direct or indirect interest, financial or otherwise in the subject property or with the involved parties
- ATM prohibits associates from asking appraisers to report a predetermined value or withhold disclosure of adverse features
- All appraisals must be ordered through an Appraisal Management Company (AMC)
- We will not accept an appraisal from an appraiser who works for the lender, borrower or any parties affiliated with the transaction

All appraisals will be following the Appraiser Independence Requirements pursuant to the Dodd-Frank Wall Street Reform and the Consumer Protection Bureau Act of 2010. Compliance with the Appraiser- Independence Requirements will be reviewed by an independent third-party.

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

2.20.3 Appraisal Review Requirements

Appraisal reviews are required for all loan amounts. Any loan amount over \$2,000,000.00 will require 2 full appraisals. The lesser of the two is to be used for valuation for the loan file. However, when only one appraisal is provided follow the below to determine if a secondary report is required:

When the LCA/CU score is greater than 2.5 a Collateral Desktop Analysis (CDA) from Clear Capital Appraisal Management, Appraisal Risk Review (ARR) from Pro Teck, or similar independent vendor is required. If you have either one or both LCA/CU score at 2.5 or less this is acceptable if the reports were both pulled around the same date.

- If a valuation from either of these companies is less than 90% of the appraised value, then the LTV will be calculated using the lower of the CDA or the ARR value
- If CDA or APR are not available, then another appraisal is required
- All mortgage transactions located in a federally declared disaster zone, whether it is a purchase or a refinance, will require a Disaster Inspection Report. The practice of obtaining a Disaster Inspection Report should continue for a minimum of 90 days from the date of the disaster and display a completion date that doesn't exceed 15 days prior to the loan closing.
- On all Purchase Money Transactions, closing instructions should indicate that no credits for property conditions are permitted and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.

2.20.4 Transferred Appraisals

Appraisal transfers are only permitted when if prior approval has been received from Ameritrust Mortgage Coproration in advance for their appraisal transfer policy to ensure compliance with the Home Value Code of Conduct (HVCC) and Appraiser Independence requirements and are subject to the following requirements:

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

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

3.0 1-4 FAMILY RESIDENTIAL 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.

3.0.1 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.
- If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent.
- A vacant or unleased property is allowed without LTV restriction.

Refinance Transactions

Required documentation:

- FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
- If the lease has converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease.
- If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the following: Max LTV: Purchase 75%, Refinance 70%

Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025 as follows:

- If using the lower of the actual lease amount or estimated market rent, nothing further is required.
- If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007 or 1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%.
- If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.

A vacant or unleased property is allowed subject to the following: Max LTV: Purchase 75%, Refinance 70%

DSCR Calculation

- Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the ATM Eligibility Matrix for required Debt Service Coverage Ratios.
- Gross rents divided by PITIA = DSCR

3.0.2 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.
- $(\text{Gross Rents} * .80) \text{ divided by PITIA} = \text{DSCR}$.

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.
- 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 evidence of short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
- AIRDNA (www.Airdna.co) 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.

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- 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.
 - Revenue projection equals the average daily rental rate times the occupancy rate.
 - Forecast Period must cover 12-months from the Note date.
 - The occupancy rate must be > 60%.
 - Must have five (5) 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 must be 60 or greater.

3.0.3 Accessory Dwelling Units (ADU)

ATM 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: User the lower of the market rent on FNMA Form 1007 or actual rent

3.1 SOLAR PANEL REQUIREMENTS

3.1.1 PROPERTIES WITH SOLAR PANELS

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- borrower-owned panels,
- leasing agreements,
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- power purchase agreements.

Property with solar panels is eligible for purchase. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed, and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

Lenders are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, lenders may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. The lender must also review the title report to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.

Lenders are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report.

The following table summarizes some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels

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If the solar panels are...	Required
<p>Financed and collateralized -- the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing* has been filed for the panels in the real estate records</p>	<ul style="list-style-type: none"> • Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan. • Include the debt obligation in the DTI ratio calculation. • Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and • Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing* is of record in the land records. <p>Note: If a UCC fixture filing* is in the land records as a priority senior to the mortgage loan, it must be subordinated.</p>
<p>Financed and collateralized -- the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report</p>	<ul style="list-style-type: none"> • Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, any UCC financing statement, related promissory note or related security agreement); • Include the debt obligation in the DTI ratio calculation. • Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt. • Not include the panels in the LTV ratio calculation; and • Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement or any UCC financing statement treat the panels as personal property not affixed to the home.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

3.1.2 LENDER REQUIREMENTS FOR PROPERTIES WITH SOLAR PANELS THAT ARE LEASED OR COVERED BY A POWER PURCHASE AGREEMENT

- Must obtain and review copies of the lease or power purchase agreement.
- The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
 - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property.
- The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
 - A “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
 - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
 - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner’s property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner’s property insurance policy; and
 - In the event of foreclosure, the lender or assignee has the discretion to:
 - Terminate the lease/agreement and require the third-party owner to remove the equipment.
 - Become, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party; or
 - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

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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.

The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.

- A “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
- When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
- Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
- The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and

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- In the event of foreclosure, the lender or assignee has the discretion to:
 - Terminate the lease/agreement and require the third-party owner to remove the equipment.
 - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
 - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

3.1.3 DEBT SERVICE COVERAGE RATIO (DSCR 1-4)

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 Mortgage Eligibility matrix for required Debt Service Coverage Ratios.

Example: Sample 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)**

3.1.4 HOUSING HISTORY – DSCR

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction.

Housing History

- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- 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.

3.1.5 RESTRICTIONS

- See the AmeriTrust Matrices for the maximum LTV/CLTV.
- If the loan amount is < \$150,000 The max LTV is 75% must be 1.00 and above
- **Rural properties maximum 20 acres.**
- No truncating allowed.

3.1.6 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.

3.2 TITLE INSURANCE REQUIREMENTS

The purpose of title insurance is to provide evidence of ownership and the lawful possession of a property. It protects the owners (in the case of an owner's policy) and lenders (in the case of a mortgage loan policy) against loss if the chain of property is imperfect or against unknown encumbrance against the property.

ATM requires coverage provided by American Land Title Association (ALTA) or an equivalent association. Either a Standard or Short Form Policy is acceptable. Short Form Policies are provided due to a shorter turnaround time, allowing a faster delivery to the secondary market.

Eligible title insurance must reflect the following:

- The effective date of the commitment should be dated within 120 days of the signing of the note and the mortgage. If the date exceeds 120 days, the title company must update the commitment with either gap coverage or an updated commitment. Please note that Texas loans must be within 90 days.
- Title insurance is required, the amount of the policy must be the same as the amount of the loan
- All title vesting must be reviewed to insure it is as it appears on the application. All title holders are required to authorize the mortgage transaction which is accomplished by requiring all non- applicant title holders to sign certain closing documents.
- When title insurance is required on a property that is held in trust, the trust agreement must be reviewed and approved by the title company and Seller's underwriters. ATM will not allow loans that are held in an irrevocable trust
- The definition of the estate should be Fee Simple
- For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing.
- The legal description for the property should appear as it does on the appraisal and the application. The tile report must contain the entire legal description and may be identified by lot and block or metes and bounds description.
- The original title commitment should be countersigned by an authorized person from the title company
- Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment.

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- Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid-off and released at or prior to closing the loan. If any liens are to remain open, they must meet ATM's subordination guides.
- Liens and Judgments - Any liens (i.e., federal tax liens, mechanic's liens) or judgments must be paid-off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar liens are to be subordinated or paid off. HERO liens must be paid.
- Real estate taxes and assessments are liens against the property that take precedence over all other liens. If the property owner fails to pay their taxes or assessments, then the county or city can sell the taxes to obtain the monies owed to them. Even if a lender has interest in the property the taxes can be sold.
- If taxes on the subject property are due and payable within 30 days but the county or city will not accept payment yet, then an escrow account is required to be set up by the title company to avoid any exceptions on the final title policy
- If a title company requires an escrow account when the due date is beyond 30 days (i.e., 45 days), then all parties must adhere to the title company's requirements
- All borrowers must sign the title company's prepared escrow agreements at closing
- Easements are rights that a person has on the property/land of another person. Examples of easements are public utility easements, mineral rights, beach rights and riparian rights. These will not affect our lien position and can remain as exceptions on the title policy.
- Encroachment is construction on the property of another, i.e., wall, fence, or a driveway. Encroachments listed on the preliminary title report can remain as an exception on the final title policy if the title company will insure against loss or damage caused by the enforced removal of the real property that is encroaching onto the easement. However, if the title company will not provide insurance, then the encroachment must be reviewed by Seller's underwriter to determine if this will materially affect the value of the property/improvements or our security interest.
- Surveys - All survey exceptions must be cleared on all loan products. ATM's will defer to the title company to advise on what is necessary to remove the survey exception.
- Homeowners Association Dues - HOA dues must be current or paid current at time of closing. A letter from the association is required stating that the applicant's dues are up to date, that there are no liens currently and that no liens have been placed on the subject property due to non- payment of dues.
- Lis Pendens - A legal notice that is recorded to show any pending litigation relating to the property. Anyone that is acquiring an interest in the property subsequent to the date of the notice may be bound by the outcome. All Lis Pendens are to be removed or the application will be denied.
- Rebuild in Coastal Areas - The application will be denied if the subject property is in a coastal area and cannot be rebuilt
- Oil and Gas Leases and Mineral Rights – ATM's will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not

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provide for any surface rights. If lease does provide for surface rights this property will be ineligible for sale to ATM's.

- Agreements such as private well and septic, private roads and shared driveways also require affirmative language and can remain as an exception on the title unless they relate to a public utility. Private well agreements need to be reviewed to determine whether the well is on the subject property or the rights to the well will be transferred with the title to the property. If this is not the case, the subject property may be considered ineligible for sale to ATM.

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

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

3.2.1 TITLE POLICY REQUIREMENTS

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

Endorsements

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

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

Spousal Property Rights

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

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

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Survey Requirements - Each loan will have:

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

Hazard Insurance Requirements/Condo (H06)

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

The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum:

- Wind
- Civil commotion (including riots)
- Smoke
- Hail
- Damages caused by aircraft vehicle or explosions

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

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

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

- Policy
- Certificate of Insurance
- Insurance Binder

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Evidence of Insurance Requirements:

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

Disaster Policies:

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

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

Deductibles:

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

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Determining the amount of required Hazard Coverage:

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

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

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

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

- 100% of the insurable value of improvements, as established by the property insurer or reputable 3rd party source (i.e., CoreLogic);
- Estimated cost to replace as notated on appraisal delivered with loan file (Total Estimate of Cost-New)
- **OR** RCE from insurance provider/agent;
- The unpaid principal balance of the mortgage
- If none of the above are met, then coverage that does provide the minimum required amount must be obtained.

3.3 MISCELLANEOUS

3.3.1 Fraud Reviews

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

3.3.2 OFAC and Watchlist

Provide documentation to confirm borrowers, entities as borrower, sellers, realtors need to be ran against these lists. For refinances, the borrowers, entities as borrower, appraiser and appraisal company should also be included in search.

3.3.3 Closing Documentation

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

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3.3.4 Age of Documents

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

3.3.5 Escrows

- Escrows are required for LTV's greater than 80%
- Flood Insurance must be escrowed

3.3.6 Property Taxes

For new construction or full renovation property we need one of the following to document the proposed property taxes based on improvements:

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

We cannot accept previous years tax bill that does not show improvements i.e. land only assessed.

- The Forecast Period must cover 12 months from the Note date.
- The occupancy rate must be > 60%.
- Must have five (5) 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 by zip code.
- The market grade must be 60 or greater.

3.3.7 BORROWER APPLICATION

- The borrower information section of the loan application (i.e., FNMA Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., FNMA Form 1003).
- No proof of borrower income is required.

3.3.8 DEFAULT EVENT

If a loan payment is delinquent for 60 days, AmeriTrust Mortgage Corporation's loan servicer will enforce the following provision from the 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases.

3.3.9 ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

4.0 STATE ELIGIBILITY

Refer to www.ameritrusttpo.com for Licensing limitations.

4.1 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).

4.2 AMERITRUST EXPOSURE-BORROWER LIMITATIONS

AmeriTrust's aggregate exposure to a single borrower and/or household shall not exceed \$5,000,000 in current unpaid principal balance (UPB) or ten (10) loans.

4.3 DISASTER AREAS

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, as identified by reviewing the FEMA website at www.fema.gov/disasters. 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.

4.3.1 APPRAISALS 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.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

4.3.2 APPRAISALS COMPLETED AFTER DISASTER EVENT

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

4.3.3 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. 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.

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

Fixed Rate Criteria

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

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*When – 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

4.4 STATE AND CBSA-SPECIFIC ELIGIBILITY RESTRICTIONS

See the AmeriTrust Loan Eligibility Matrix for state and CBSA-specific eligibility restrictions. Please refer to www.ameritrusttpo.com under DSCR/Business.

4.5 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).

4.6 INTEREST-ONLY RESTRICTIONS

- Min Credit Score: 660
- Max LTV/CLTV: 80%

4.7 LOAN AMOUNT

- Min: \$100k
- Max: \$3.5 mil

4.8 MINIMUM CREDIT SCORE

- FICO Score: 620

4.9 CREDIT REVIEW DOCUMENTATION

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

- Mortgage/rental verification.
- Asset documents/bank statements
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title commitment/preliminary report/binder

Any credit review documents exceeding these timeframes must be updated.

4.10 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.