Granite ITIN Full Guidelines

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1.0 Introduction

AmeriTrust Mortgage Corporation's (hereafter referred to as AmeriTrust) Credit Guidelines establish standards and criteria in which a loan will be eligible for purchase by AmeriTrust. Originators should use these Guidelines to understand how AmeriTrust assesses risk and to understand AmeriTrust program specifics and our process flow. **If a topic is not addressed within these guidelines, AmeriTrust will align with Fannie Mae (FNMA), Chapter B3-1, Manual Underwriting guidelines.**

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

Originator Responsibilities:
AmeriTrust Credit Guidelines must be interpreted and applied by the originator 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.

AmeriTrust has a no-tolerance policy as it relates to fraud. Originators 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- T, USPS, OFAC, AML and any other Exclusionary Lists). Loans containing fraudulent documentation or information will not be secured by AmeriTrust. Any determination of originator involvement and/or knowledge of misrepresentation will result in the dissolution of any lender-originator relationship. The appropriate agencies will be notified.

Additional Requirements:

- Deviations from the underwriting guidelines based on compensating factors need to be documented in the loan file.
- Negative Amortization Features or Equity Participations loans are not allowed.
- AmeriTrust does not secure 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.
- 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.

- With respect to each Mortgage Loan, (1) each Mortgagor is a natural person and (2) at the time of origination, the Mortgagor was legally entitled to reside in the United States.
- Occupancy - the Originator gave due consideration, at the time of origination, to information contained within the Mortgage Loan File, to evaluate whether the occupancy status of the related Mortgaged Property as represented by the Mortgagor was reasonable.
- No Mortgage Loan underwritten pursuant to a bank statement income documentation program was underwritten using fewer than twelve consecutive months of bank statements.
- No Mortgage Loan was underwritten utilizing a borrower-prepared profit and loss statement or a borrower-prepared expense letter/statement for purposes of determining income or expenses.
- With respect to any Mortgage Loan underwritten pursuant to a personal bank statement income documentation program either (a) the mortgage file has satisfactory evidence of the existence of a business bank account for the related business or (b) if satisfactory evidence of a business bank account is not provided, the amount of qualifying income for the borrower was determined under the underwriting guidelines applicable to the business bank statement income documentation program.

Ability to Repay (ATR):

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

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

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

2.0 Alternative Documentation

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

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

▪ FICO Score	▪ Residual Income
▪ Debt to Income	▪ Seasoning
▪ Loan to Value	▪ Job Stability
▪ Housing Payment History	▪ PITIA Reserve

3.0 Eligible Borrowers

All borrowers on loans secured by AmeriTrust will be individual, natural persons.

Individual Tax Identification Number ("ITIN") borrowers will need to provide the following information:

- Unexpired government photo ID - Examples include government license, passport, etc. **Note that the above satisfies the residency requirements, a VISA is not required in addition to the above for an ITIN borrower **AND**
- An ITIN card or letter from the IRS** ITIN is required to be assigned to the borrower prior to application - Verification of the unexpired ITIN is provided by a letter from the IRS confirming the ITIN is assigned to the borrower.

IRS Form W7 is not acceptable evidence if the ITIN letter is not provided, or if the ITIN letter submitted is not legible.

ITINs expired or expiring within the next six months must also include a signed W7 (executed by all parties) to evidence current status on Alt Doc loans. Note that on Alt Doc loans, ITINs are considered to be expired if the letter from the IRS is dated more than three years ago. In those instances, a fully executed W7 is required.

All documentation in the file must support the borrower's ITIN number and cannot reference an SSN belonging to another individual.

DACA is eligible with ITIN with Valid US driver's license along with EAD card evidencing their DACA status.

ITIN must be valid and at least 2 years consistent ITIN payments reporting to the IRS is required. This can be validated with the borrower's current ITIN # along with a 2-year employment history. • If multiple borrowers, one borrower must have ITIN

3.1 Eligible Vesting

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common

3.2 Ineligible Borrowers

- US Citizens
- Foreign Nationals
- All Persons with Diplomatic Immunity, as defined by the U.S. Citizenship and Immigration Services (USCIS)
- Originator Employee Loans
- Irrevocable or Blind Trusts
- Inter-Vivo Revocable Trust
- 501(c)(3) Organizations
- LLCs, Corporations or Partnerships
- Trusts or LLCs whose members include other LLCs, Corporations, Partnerships, or Trusts.
- Trusts or LLCs where a Power of Attorney is used.

3.3 Borrower Types

Borrower Types	Description
Primary	The occupying borrower who earns the greater of the qualifying income.
Co-borrower	Any borrower (other than the Primary) who is jointly responsible for repayment of the loan with the Primary Borrower. All Co-Borrowers must be on title.
First-time Homebuyer (FTHB)	An individual who: (i) is purchasing the security property (ii) will reside (owner-occupied) in the security property as a principal residence; and (iii) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property
Non-borrowing Occupant	Any individual residing in the security property who is not considered during the loan qualifying process. A Non-Borrowing Occupant on title will be required to execute applicable documents to create a valid lien.

Non-occupant Co-borrower ("Co-signer")	An individual who: (i) May or may not have any ownership interest in the property as indicated on title. (ii) Signs the mortgage or deed of trust note. (iii) Has joint liability for the note along with the Primary Borrower. (iv) Does not have a vested interest in the property sales transaction, i.e. is not a seller of the property, is not an existing tenant, is not the builder or the real estate broker. (Will NOT require occupant ratios) Note (a): A family relationship is not required provided the transaction is considered an arm's length transaction. Note (b): The continuity of obligation requirement on a refinance transaction is considered met if one of the current owners is on the loan application.

3.4 Eligible Occupancy

Borrower Types	Description
Primary Residence	A Primary Residence is a property that the borrower will occupy or currently occupies as their primary residence. If there are multiple borrowers only one needs to occupy the property and take title. FTHBs are allowed. (See FNMA Guides for Primary Residence)

3.5 Eligible Transactions

3.5.1 Purchase Money

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

- Property in Foreclosure is not eligible for financing.
- First-time Home Buyers. Must be Owner Occupied or Second Homes, only.
- Non-Arm's Length Transaction. A non-Arm's Length transaction is a transaction between family members, co-workers, friends, or anyone associated with the transaction such as the listing agent, mortgage lender or broker. The following are required if the purchase of the subject property is a non-arm's length transaction:
    - Primary Residence: The property must be the borrower's primary residence.
    - Gift of Equity is eligible: a Gift of Equity occurs when equity in a property is gifted from the owner to the borrower when the borrower and owner are related.

- Examples of Non-Arm's Length Transactions:
  - Relatives: defined by blood, marriage, adoption, or legal guardianship. The transactions between parents, siblings, grandparents, aunt, uncle, cousin, step-child or spouse is considered Non-Arm's Length.
  - Employee/Employer
  - Landlord/Tenant
  - Home Builders
  - Real Estate Brokers/Agents
  - Third-Party Service Providers
  - Originator Employees
  - Owner Financed
- 1031 Exchanges are allowed only for down payment and cash to close

3.5.2 Rate / Term Refinance

A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays, or a court ordered buyout settlement. A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months (and/or not having any draws greater than $2,000 in the past 12 months for HELOC's. Withdrawal activity must be documented with a transaction history from the HELOC).

- Cash-out Limit- Cash-out to the borrower limited to the lesser of 2% of the principal or $5,000.
- Sale Restriction. Property must be removed from listing for at least one month prior to application and LTV will be based on the lesser of the list price or appraised value when listed within the last six months by the current owner.

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

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

3.5.3 Cash-out Refinance Transactions

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

- Cash back as it relates to the maximum limits is defined as "cash in hand" to the borrower.
- Borrower on Title. At least one of the borrowers must be on title.
- A Cash-out Purpose Letter is required.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements.
- Sale Restriction – property must be removed from listing for at least 6 months (Note to Note).
- Properties listed for sale or purchased within the last 12 months prior to application, require a 10% reduction in LTV.
- LTV/CLTV Limit. If the subject property is owned for less than 6 months (Note to Note), then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value.
    - Proof of Improvements -Required.
    - Proof of Purchase Price -Required as evidenced by the final Closing Disclosure (CD).
- No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership.
- Delayed Financing. Borrowers who have purchased a subject property within the last 6 months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Rate Term Refinance if the following requirements are met (also see FNMA Guides for additional information):
    - Arm's Length Transaction. The original purchase was an Arm's Length Transaction.
    - No Existing Mortgage Financing. The original purchase transaction is documented by the settlement statement which confirms that no mortgage financing was used to obtain the subject property.
    - No Existing Liens. The preliminary title report must confirm that there are no existing liens on the subject property.
    - Loan Amount Limit. The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for Cash-out Transactions based on the current appraised value).
    - Source of Funds Paydown. If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), then all cash-out proceeds are to be used to pay- off or pay-down the loan used to purchase the property.
        - The Settlement Statement for the refinance transaction must reflect the above.
        - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.

        - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
    - Source of Funds Documentation. Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.

3.5.4 CEMA Loans

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

3.5.5 Texas Home Equity Loans 50(a)(6)

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

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

3.6 Ineligible Transactions

- Assumable
- Construction to Permanent
- Temporary Buydowns
- Builder Bailout
- Conversion Loans
- Lease Options/Rent-to-Own
- Land Contracts
- Non-Arm's Length Transactions on Second Homes and Investment Properties
- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loan
- No Ground leases, No Buydown Mortgage Loan, No Pledged Asset Loan
- No Convertible Mortgage Loan - allows an ARM to convert to a Fixed Rate Mortgage
- Periodic Payment - Loans must have periodic payments due and loans cannot have more than three monthly payments paid in advance from the proceeds of the mortgage loan

4.0 Analysis of Credit

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

4.1 General Requirements

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

- Merged In-file Credit Report. This report is required and must include reporting from all three national credit repositories.
- Aging. The credit report should be dated within 120 days of the Note and Mortgage.
- Debt Monitoring. An Undisclosed Debt Notification (UDN) is required within 10 days of closing date.
- Evaluation. In general, AmeriTrust will evaluate an applicant's Credit Report to determine their willingness to pay debts. Among other things, the credit report will be reviewed for:
  - Age of accounts
  - Late payments frequency, severity, aging
  - Account balance size

4.1.2 Credit Scores

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

A minimum of 2 credit scores 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	Primary Wage Earner's Lower of 2 or Middle of 3 FICO Scores

4.1.3 Tradeline Requirements

All borrowers should have an established credit history that is partially based on tradeline history established and reported under their ITIN. Only the Primary Wage Earner is required to meet the minimum tradeline requirements and will have open and active tradelines that meet the following requirements:

Required Tradelines	Active Reporting Period	Min FICO Required	Max DTI Required
3 Tradelines	≥ 12 months	680	50
Or			
2 Tradelines	≥ 24 months	680	50

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

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

4.1.4 Credit Reporting Data Included in DTI Ratios

- Installment Debt. All installment loans (monthly obligations with fixed payments and terms) must be included in the borrower debt-to-income ratio.
  - Excluded from DTI: payments of 10 months or less (if the payment exceeds 5% of the borrower's qualifying income, then the originator must keep the remaining payments in the DTI)
  - Excluded from DTI: any installment debt that is paid prior to or at closing can be excluded from the DTI. Supporting documentation is required to verify that these debts have been paid.
- Revolving Debt is an open-ended debt obligation in which the principal balance may vary each month. The minimum required payment stated on the credit report or the current account statement must be used to calculate DTI. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI.
  - Excluded from DTI: revolving accounts can be paid off prior to or at closing to exclude the payment from DTI. Supporting documentation such as a credit supplement or verification from creditor is required.
- Lease Obligations must be included in the DTI regardless of the time remaining on the lease.
- Child Support, Alimony or Maintenance Obligations. Must be current at the time of application and must be included in the DTI. The loan file should contain supporting documentation (such as a final divorce decree, legal separation agreement or court order) evidencing the obligation. If

payments are delinquent, then they must be brought current prior to the loan closing.

- Contingent Liabilities. An individual has contingent liabilities when an outstanding debt obligation has been assigned to another party, but the creditor has not released the borrower from the obligation. Contingent Liabilities must be included in the DTI.
  - Excluded from DTI: If one borrower was obligated to buy-out the other borrower because of a divorce, then the loan file should include the Separation Agreement and or the Divorce Decree/Court Order that shows transfer of ownership. In addition, the current obligation on the premise must be current.
  - Excluded from DTI: Debts paid by others can be excluded from the DTI Ratio if the debt is being paid in a satisfactory manner by another party for the past 6 months. Acceptable documentation would include cancelled checks or bank statements that consistently show another party making at least the past 6 payments.
- Paystub Deductions will be reviewed and included in DTI (excluding 401(K) repayments).

4.1.5 Credit Reporting for Business Debt

Business debt is typically a financial obligation of a business. However, business owners can sometimes be personally responsible for that debt as well. If business debt is reflected on a personal credit report. If the business debt facility is less than 6 months old, then the payments must be included in the debt-to-income ratio. If the business debt is greater than or equal to 6-months old, the debt may be omitted from the debt-to-income ratio if the borrower provides documentation that the borrower's business is making the payments on these debts. Permissible documentation can be the following:

- Canceled Checks- Most recent 6 months of canceled checks drawn from the business account.
- Tax Returns- Returns must reflect debt payments as business expense deductions.

4.1.6 Housing History

Verification of Mortgage / Verification of Rent (VOM/VOR): Applications must be supported by the most recent 12 to 24 months mortgage or rent pay history. A VOM should be obtained for all outstanding mortgages the borrowers have or are evidenced by their credit report including private mortgages. The VOM/VOR is reviewed for delinquencies with the greatest weight focused on the last 12- to 24-months depending on housing history requirement (0x30x12 or 0x30x24). Acceptable methods of a Verification are:

- Electronic Pay History printout directly from Mortgage Lender.
- 12 to 24 Months of Bank Statements showing timely payment of rent or mortgage.
- Credit Bureau Report reflecting a pay history over the last 12 to 24 months.
- Cancelled Checks front and back or 12 to 24 months bank statements showing payment withdrawals and a year-end mortgage statement.
- If renting from a private party canceled checks are required.
- If no VOR is obtained a copy of the lease and 12 to 24 months canceled checks are acceptable.
- For private mortgages, provide a VOM together with 12 to 24 months bank statements or cancelled checks showing prompt payment of mortgage.

4.1.7 No Housing History or Less Than 12 Months Verified

Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:

- Primary residence only
- Minimum 6 months reserves after closing
- 10% minimum borrower contribution
- Payment Shock is not considered
- VOR/VOM must be obtained for all month's available reflecting paid as agreed
- Properties owned free and clear are considered 0x30 for grading purposes.

Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. Borrowers living rent free with a spouse are acceptable with rent-free letter and evidence of spouse's mortgage.

4.1.8 Other Credit and Credit Reporting Requirements

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

4.1.9 Credit Counseling, Collections, Judgements, Liens

- Judgements, Garnishments and Liens: The borrower is required to pay-off all open judgements, garnishments, and liens (including mechanics liens or material men's liens) prior to the loan closing.
- Credit Counseling Borrower enrollment in CCCS is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.
  - If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, then exclude these balances from the charge-off and collection limits listed below. The monthly CCCS plan payment must be included in the DTI calculation.
  - If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency eligible establishing the date of completion.
- Collection Accounts and Charge-offs do not have to be paid in full if the following applies:
  - Collections and charge-offs < 24 months old with a maximum cumulative balance of $2,000,
  - Collections and charge-offs ≥ 24 months old with a maximum of $2,500 per occurrence,

- Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required),
  - All medical collections.
  - Exception: IRS repayment plans with 3 months history of payments may remain unpaid.
- Past Due Accounts must be brought current.

4.1.10 Forbearance, Deferred Payments, Modifications

- COVID Forbearance to follow FNMA requirements
- Non-COVID deferred payments are unacceptable credit events and disqualifies borrower(s) from financing.
- Mortgage Loan Modifications are acceptable with 60 months seasoning, min 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are:
  - Forgiveness of a portion of principal and/or interest on either the first or second mortgage.
  - Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.
  - Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage.
  - Conversion of any portion of the original mortgage debt from secured to unsecured.

4.1.11 Significant Adverse Credit

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

5.0 Capacity

5.1 Income Documentation

5.1.1 Full Documentation

AmeriTrust will accept Full Documentation (Full Doc) for the following Wage Earner types. All Wage Earner loans require an executed 4506-C and income will be calculated in accordance with the most recent FNMA Guides as verified and supported by the IRS Transcripts.

- 24 Month Wage Earner
- 24 Month Self Employed borrower
- 12 Month Wage Earner
- 12 Month Self Employed borrower

The following table summarized required documentation for our Full Doc Wage Income Earner types:

Wage / Income Earner Type				
Required Documentation	**24 Mo Full Doc Wage Earner**	**12 Month Full Doc Wage Earner**	**24 Mont Full Doc Self-employed**	**12 Month Full Doc Self-employed**
Paystubs	Most recent 2 dated within 30 days of application date	Most recent 2 dated within 30 days of application date	N/A	N/A
W-2 Forms	Most recent 2 years	Most recent 1 year	N/A	N/A
VVOE	10 business days prior to note date	10 business days prior to note date	20 business days prior to note date	20 business days prior to note date
Third Party Verification of Business	N/A	N/A	Verification Business has been established min of 2 years	Verification Business has been established min of 2 years

Personal Tax Returns	Most recent 2 years when qualifying using only rental income or self-employment	Most recent 1 year when qualifying using only rental income or self-employment	Most recent 2 years PLUS YTD P&L	Most recent 1 year PLUS YTD P&L
Partnership Returns	N/A	N/A	Most recent 2 years PLUS YTD P&L	Most recent 1 year PLUS YTD P&L
K-1s (if applicable)	N/A	N/A	Most recent 2 years PLUS YTD P&L	Most recent 1 year PLUS YTD P&L
Corporate Tax Returns (if applicable)	N/A	N/A	Most recent 2 years PLUS YTD P&L	Most recent 1 year PLUS YTD P&L
***N**ote: if tax returns are on extension, then the borrower will need to supply their most recent filed tax return and a signed P&L thru the most recent quarter (if applicable) and a P/L from previous year.				

Unscheduled Income

Applicants with unscheduled income are eligible borrowers according to the following guidelines and requirements:

- Bonus Income
  - Two-years of Bonus Income. Borrower must evidence of a two-year history of bonus income. For borrowers in same line of work with different employers, they will be considered on a case-by-case basis.
  - Written VOE (WVOE). Lender must submit a WVOE verifying probable continuance of bonus income. Or if not commented on, a 2-year history will suffice for probability of continuance.
  - 24-Month History. Bonus income is calculated based on a 24-month history. A history of greater than 24-months may be required if there is a significant increase or decrease in bonus income.
- Overtime Income
  - Verification. Overtime Income must be verified as historical and average YTD earnings.
  - Continuance. When reviewing a 24-month history of OT it should be verified that the income is consistent over the past 2 years and will have a high likelihood of continuance.
- Seasonal Employment/Unemployment

- Consistency. Borrower has worked for the same employer for the past 24-months. Please note if they are in a union (construction, electrical, plumbing) and are placed on different jobs over a period that is considered acceptable.
- WVOE. WVOE required stating a reasonable expectation of returning the next season.
- Unemployment Compensation for time-off has been consistent for the past 24 months and coincides with the seasonal job.
- Annualized Income. Income to be annualized over a 12-month period for qualifying purposes unless income is declining.

- Commission Income
  - Two-year History. Borrower must evidence at least a two-year consecutive history of commission earnings. Borrowers with less than two years with current employer yet in the same line of work for two years will be considered on a case-by-case basis
  - WVOE is required.
  - Paystub Verification. Paystubs must reflect commission income on YTD earnings.
  - Declining Commissions. A Letter of Explanation (LOE) from the borrower, expanded history and further support will be required if commission income is declining.
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- Rental Income – All properties except departing residence
  - Existing rental income required documentation: Recent personal tax return at least one-year **and** copy of current unexpired, executed lease (if lease is not current, evidence need to be provided showing lease converted to month to month) **and** at least 3 months proof of current rental income being received (i.e., canceled checks and/or deposits). Rental income must be derived solely from the ownership of rental properties as declared on the Schedule E.
  - Rental income from new lease required documentation: Copy of executed lease **and** verification of security deposit **and** first-month's rent deposited to borrower's account. May not be leased to a family member. Property must have been purchased within the last tax year.
  - Rental income from short leases, Airbnb, VRBO, Homestay or other vacation rentals (i.e., short-term rentals) will be allowed with a two-year history of receipt as reported on the borrower's income tax returns for the subject property investment property and refinances only. Evidence that the property is currently being offered for rent in the same manner is required. Market Rents cannot be used for short-term rental income. A two-year history is required and proof of current receipt of rental income being received is required.
  - Landlord history is not required to use rental income under Full Doc or Bank Statement Programs only. Must have history under eXperienced Investor Program.
  - FNMA Form 1007 is required for all non-owner-occupied transactions.
- Rental Income - Departing Residence
  - Copy of executed lease **and** verification of security deposit **and** first-month's rent deposited to borrower's account.
  - May not be leased to a family member.

    - Lease agreement must be for a minimum 12-month term.
- Housing and Automobile:
    - Please refer to FNMA Guides.
- RSU Income - Restricted Stock
  Restricted stock refers to stock of a company that is not fully transferable until certain conditions have been met. Upon satisfaction of those conditions, the stock becomes transferable to the person holding the grant. Restricted stock should not be confused with stock options. Restricted stock must be vested as well as received on a regular, recurring basis.
    - The following documentation is required:
        - Issuance agreement or equivalent (part of the benefits package), and
        - Schedule of distribution of units (shares), and
        - Vesting schedule, and
        - Evidence that stock is publicly traded, and
        - Evidence of payout of the restricted stock (e.g., YTD pay stub and 2 years W2s)
    - Calculation of income:
        - To determine the restricted stock price, use the lower of:
        - Current stock price, or
        - The two-year stock price average.
        - Qualifying income will be calculated using an average of the restricted stock income for the past two years, and year to date stock earnings. The average stock price should be applied to the number of stock units vested each year.
        - Future vesting must support qualifying income.
- Interest and Dividend Income
    - IRS Form 1040 Schedule B. Borrower must submit the proper tax filing schedule reflecting income amounts (tax exempt interest also eligible under the same conditions).
    - Two-year History. Interest and dividends will only be considered stable income with at least a two-year history.
    - Ineligible Interest and Dividends. Income from interest-bearing or dividend-producing assets being used for the down payment or closing costs are not eligible.
    - Ineligible Interest and Dividends. Any taxable interest or dividend income that is not recurring must be deducted from the borrower's cash flow.
- Capital Gains/Losses, Royalties, Notes Receivable, Trust, Lottery Winnings, Employee Contracts, Alimony and Child Support.
    - 3-year Continuance of Income. Verification that these sources of income will continue for a minimum of 3-years is required.
    - 12-month history of receipt is required.
    - 3 years of tax returns are required (for capital gains income only)
- Non-taxable Income.
  Gross-up. As DTI calculations are based on gross income; non-taxable income can be grossed-up by 125% or by borrower's income tax bracket, **whichever is less**.
  NOTE: At certain levels Non-Taxable Income could be subject to taxation and some income types may contain both taxable and non-taxable income. Federal Tax Returns may be required to accurately determine the non-taxable portion. Defer to FNMA Guides.

5.1.2 Alt Doc (Bank Statement/ 1099 Reduced/ WVOE Only/ Rental Income)

Bank Statements

When analyzing Business Bank Statements, the Lender must verify the borrower's percentage of ownership. Acceptable forms of documentation would be a Business License, a signed written statement from a CPA or a Third-Party Tax Preparer, a Partnership Agreement, a Business Certificate filed with a governmental agency. Self-employed borrowers can use either personal or business bank statement documentation. The following apply to both types of documentation:

- Personal History- Borrowers should be self-employed for at least two years. However, a borrower may qualify with less than two years but more than one year if the borrower can document at least two years of documented previous successful employment in the same line of work in which the person is self-employed or related occupation or one year of employment and formal education or training in the same line of work.
- Businesses History- Business should be established and have been in existence for the past two years. However, if a borrower is qualifying with less than two years but more than one year of self-employment, then the business should be established for the same length of time.
- A Third-Party Verification that the business is in existence and in good standing is required.
- Like-to-Like Accounts- All parties listed on a personal bank account used for income must be included as borrowers on the application.
- Recent and Continuous- Statements used for income must be consecutive and reflect the most recent months available.
- Stability- Statements must support stable and generally predictable deposits; large and unusual deposits must be sourced if they cannot be sourced, they will be excluded.
- Earnings Decline may result in loan disqualification.
- Net Decrease- Withdrawals consistently greater than deposits will be considered declining cashflow/income.
- Non-Sufficient Funds (NSF)- AmeriTrust considers Non-Sufficient Funds as any account going negative and staying negative for more than 24 hours. Non-Sufficient Funds typically result in a fee charged by the financial institution. AmeriTrust will allow three Non-Sufficient Funds within the last 12 months. LOE must be satisfactory.
- Overdraft protection (OD)- AmeriTrust considers an overdraft to be an event where an account has gone negative but is linked with another account or line of credit with the same financial institution. AmeriTrust will allow these and treat them as an isolated incident provided the account does not reflect a negative balance and shows a transfer from another account. LOE must be satisfactory.
- Transfers will also be excluded unless it is a wire transfer in from another company for services rendered.
- AmeriTrust will consider other forms of income used in conjunction with the Bank Statement Program such as W2 income or fixed income such as Social Security Benefits.
- If a signed and dated Third Party P&L is provided, it must cover the same dates as the bank statements.
- Business Narrative documentation prepared by borrower explaining at minimum the nature of the business/ operations and must include the number of full-time employees and or contractors.

Personal Bank Statements- The following documentation is required:

- 12 or 24 months complete personal bank statements (multiple bank accounts may be used). Dated within 30 days of application: and
- Two (2) months business bank statements (to support the borrower does maintain separate account(s)). If business bank statements cannot be provided to evidence a separate business account, then a 10% expense factor may be applied as long as there is no indication that the personal assets are a co-mingled account.
- Transaction histories are not acceptable.
- The Initial 1003 with monthly income disclosed.
- Business narrative prepared by borrower explaining a minimum the nature of the business, operations and must include the number of Full-Time employees and or contractors.
- Bank statements reflecting other individuals except non-borrowing spouses who are not applicants on the loan are not eligible.

The following apply when analyzing personal bank statements:

- 100% of personal bank account deposits.
- Large deposits (defined as 50% of qualifying monthly income) must be sourced.
- Transfers will be excluded unless they are from a documented business account.

Qualifying income will be total net deposits divided 12 or 24 (or net deposit reduced by applicable expense ratio when no supporting business accounts are provided)

1003 Initial Disclosed Income- Income disclosed on the initial signed application should be reviewed. If income calculated is significantly different than income stated on the 1003, the underwriter should request an explanation from the borrower to determine acceptability of the income.

Business Bank Statements- The following documentation is required:

- 12 or 24 months of complete business bank statements from the same account. (If an account has been moved to a different Bank and is shown to be one and the same, that will be acceptable). Co-mingling of multiple accounts to generate a full 12 or 24 months is not permitted.
- Each loan requires a CPA or a borrower prepared and signed Business Narrative that includes at minimum details related to the description, nature, size (full-time employees and or contractors) and scope of the business. The underwriter will evaluate the reasonableness of the expenses listed by the borrower. Initial 1003 with monthly income disclosed (Signed).

The following apply when analyzing business bank statements:

- Reasonable and Customary Eligible Business Expenses from personal bank accounts:
  - Personal bank accounts that are addressed to a DBA.
  - Personal bank accounts that evidence use for business expenses.
  - Blended bank statements are allowed on a case-by-case basis with sole proprietor structure.

- Wire transfers from other accounts must be either documented or excluded.
- Declining balances will require an LOE.
- Transaction histories are not acceptable.
- The borrower must be at least 25% owner of the business. If multiple owners, then the income used will be based on ownership percentage(s).
- Third-Party verification of business existence.
- Business Bank Statements must be consecutive and from the most recent period.

Qualifying Income will be determined based on **one** of the following calculations below:

- Percentage of Gross deposits as calculated using a fixed expense ratio factor of 50%.

<u>OR</u>

- Percentage of gross deposits as calculated using a fixed expense ratio factor as provided by a CPA/Third Party Tax Preparer. The CPA/Licensed Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not related to the borrower or associated with the borrower's business.

<u>OR</u>

- The monthly net income using a net income average from a validated third-party prepared P&L. The total deposits calculated with 12 or 24-months of business bank statements are used solely to validate third-party prepared P&L. P&L statement covering the same 12- or 24-month period as the bank statements. **Borrower prepared P&L will not be permitted under any circumstances.** The CPA/Licensed Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not related to the borrower or associated with the borrower's business.

1003 Initial Disclosed Income- Income disclosed on the initial signed application should be reviewed. If income calculated is significantly different than income stated on the 1003, the underwriter should request an explanation from the borrower to determine acceptability of the income.

<u>1099 Reduced Income Documentation</u>

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

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

Written Verification of Employment (WVOE)

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

- WVOE must be completed on the Fannie Mae Form 1005 sent directly to and received directly from the employer. The employment information must be completed by Human Resources, Payroll Department or an Officer of the company. Borrowers employed by family members or related individuals are not eligible.
- Paystub, Tax Returns or W2s are not required.
- Form 4506-C is required.
- One (1) Month Personal Bank Statements are required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- The only eligible source of income is limited to Wage/Salary. Supplemental income sources such as commissions or rental income are not permitted.
- An internet search of the business is required with documentation to be included in the credit file to support existence of the business.
- VVOE within 10days of closing is required.

The following apply when using WVOE only:

- Minimum FICO 680
- Primary Residence Only
- Max LTV 80% for purchase/R&T
- Max LTV for cash out is 70%
- 0x30x24 housing history
- FTHB maximum LTV 70%
- No gift funds allowed.

Rental Income

Borrowers desiring to use rental income from investment properties not associated with the business, may do so by providing a current active lease together with proof of rent payments received for the most recent 2 months. Qualifying income will be gross rents x 75%.

5.2 Monthly Debt

See Credit Matrix for specific program requirements.

- DTI = total monthly debt ÷ total monthly gross income.
- Monthly debt service used to calculate DTI must include the following:
    - Total monthly housing expenses.

- Monthly mortgage principal and interest, hazard and flood insurance, real estate taxes, special assessments, association dues and any subordinate financing payments on mortgages secured by the subject property (PITIA).
  - Recurring installment debts.
  - Revolving and open-ended account payments, regardless of the balance.
  - Child support or separate maintenance payments and alimony.
  - Other continuing obligations.
- The maximum allowable DTI varies depending on the loan program. Please refer to AmeriTrust's Credit Matrix for maximum allowable DTI.

5.2.1 Payment Shock

- Payment shock is limited to 300% for a FTHB unless the DTI equals to or less than 36%. Payment shock will be reviewed on all other loans to ensure capacity has been met but there is no specific maximum that must be met.
- Payment Shock Calculation = ((Proposed Housing Payment / Present Housing payment) x 100) - 100

5.2.2 Residual Income

$1,500 Residual Income is required on all loan products.

5.2.3 Borrower ATR Certification

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

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

(See Appendix Section 9 for a sample Borrower Attestation Document)

5.2.4 Subordinate Financing

AmeriTrust allows subordinate financing provided the following conditions are met:

- The subordinate financing doesn't have a negative amortization or interest only feature.
- Subordinates with prepayment penalties are not allowed.
- All subordinate financing must be from a Financial Institution.
- Subordinate financing payment must be included in the DTI calculation.
- Max LTV/CLTV cannot exceed Max LTV in Credit Matrix.

Required Documentation for subordinate financing:

- Copy of the Note
- Copy of the Subordination Agreement

5.2.5 Adjustable Rate and Interest Only Qualifying

For all ARM loan transactions, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA. The fully indexed rate is calculated by adding the margin to the index.

Interest-only loans on owner occupied transactions will qualify using the greater of the note rate or the fully indexed rate using the fully amortized payment over the fully amortized term of the loan.
All ARM Notes and Riders should contain ARCC fallback language consistent with FNMA requirements.

ADJUSTABLE RATE CRITERIA SOFR	
	Bank Statements
MARGIN	*See current rate sheet
CAPS	5 YEAR ARM = 2/1/5
	7 YEAR ARM = 5/1/5
INDEX	30 DAY AVERAGE SOFR
RESET PERIOD	6 MONTHS
FLOOR	MARGIN

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

5.3 Assets

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

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (75% net of margin debt). Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- Restricted Stock Units (RSU). Refer to FNMA Guides.
- IRA, Keogh, and 401(K) Retirement Accounts (60 % of vested balance less outstanding loans secured against it) including ROTH. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility
  Pension Plans (60%). Only amounts accessible within a 30-day window are allowed Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility
- Annuities (60%). Only amounts accessible within a 30-day window are allowed.
- Trust Accounts (100%). Must review a copy of the full Trust.

- The use of business assets for self-employed borrowers for down payment, reserves and closing costs are allowed. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account. Access letters from the remaining owners of the business must be obtained as well. A letter from a CPA or borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA letter is not provided, a cash flow analysis of the business assets and liabilities (balance sheet) must be completed by the client to determine if the withdrawal of funds from the business is acceptable.
- 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 6.7.1 Verification of Assets. Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.
- Crypto Currencies, such as Bitcoin, are an eligible source of funds for down payment and closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holdings must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of Note date at 60% of the current valuation.
- 1031 Exchange funds for “like-kind exchange” are ineligible.

5.3.1 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.
- Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The statements must cover account activity for the most recent 30 days. A summary statement will not be accepted.
- The statements may be computer generated forms, but must include or state the following:
    - Clearly identify the borrower as the account holder, the account numbers, the time the statements cover. Include all deposits and withdrawal transactions. The report must include the previous close balance, the current balance, and the ending account balance.
    - Retirement account statements must be from the most recent period and identify the borrower’s vested amount and terms.

5.3.2 Other Requirements

- Assets must be seasoned for 30 days, and any large deposits are required to be sourced.
- Gift Funds.
    - 100% of gift funds are allowed on owner-occupied transactions.
    - Gifts must be from a family member. Gifts can be used to pay off debt.
    - Gift funds cannot be counted towards reserves.
    - Purchase transactions only

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

5.3.3 Reserves

Reserve Requirements**	
Loan Amount	Tier 1
< $1,000,000	3 Months
$1,000,000 - $1,500,000	6 Months

** Reserves are not stacked.

5.3.4 Seller Concessions

Occupancy	LTV	Max Percentage
Primary	≤75	9%
Primary	75.01 – 85.00	6%

Seller Concessions include:

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

6.0 Collateral

6.1 Eligible Property Types

- Single Family Dwelling
- Multi Family Dwelling 2-4
- Planned Unit Development (PUDs)
- Condominium
- Modular homes

6.2 Ineligible Property Types

- Manufactured housing or Manufactured Homes
- Working Farms
- Time-shares
- Boarding houses
- Rural properties greater than 20 acres
- Commercial properties
- Co-ops
- Leaseholds
- Vacant lots
- Log Homes
- Mixed Use
- Assisted Living
- Properties Under Construction
- C5 or C6 property condition grades
- Unique Properties
- Work escrows are not allowed
- Agricultural properties
- Geodesic domes
- Tenancy in Common properties
- Properties with less than 500 square feet living space
- No Mortgage Loans financing builder inventory is allowed.
- Properties with values in excess of the predominant value of the subject's market area may be ineligible

6.3 Declining Markets

Properties with appraisals that show the “Neighborhood - Housing Trends” marked as Declining are subjected to the following LTV/CLTV reductions as seen in the below chart. 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.

DECLINING MARKETS			
Required to be applied for LTVs >65%			
Property Value	**Demand**	**Market Time**	**Reduction to LTV**
Declining	Shortage or In Balance	Under 3 mths	5%
Declining	Shortage	3-6 mths	5%
Declining	In Balance	3-6 mths or Over 6 mths	10%
Declining	Over Supply	Over 6 months	10%

6.4 Flips

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

Flip transactions are subject to the following requirements:

- All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction
- No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing
- 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 HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at http://www.consumerfinance.gov/policy- compliance/rulemaking/final-rules/appraisals-higher-priced- mortgage-loans/. A second appraisal is required in the following circumstances:
  - Greater than 10% increase in sales price if seller acquired the property in the past 90 days
  - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days

6.5 Transferred Appraisals

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

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

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

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

6.6 Project Review Warrantable

FNMA eligible projects are allowed.

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.

6.7 Project Review Non-Warrantable

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

NON-WARRANTABLE CONDOS	
CHARACTERISTIC	EXCEPTION CONSIDERATIONS
COMMERCIAL SPACE	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.

COMPLETION STATUS	The project, or the subject's legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
CONDOTELS	NOT PERMITTED
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.
NEW PROJECTS	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
SINGLE ENTITY OWNERSHIP	Single entity ownership in project up to 25%.

6.8 Appraisal

A full appraisal involves a complete inspection of the home, including the interior and exterior of the subject property. Acceptable appraisal report forms must follow FNMA and FHLMC standards which include Uniform Appraisal Data Set (UAD) Specifications and 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 an update 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.
- Uniform Residential Appraisal Report (URAR)
- FNMA form 1004 / FHLMC Form 70 for use on one-unit properties including individual units in Planned Unit Development (PUD) projects. See FNMA or FHLMC for required appraisal forms to be used on specific properties.
- See AmeriTrust Credit Matrix for additional appraisal requirements.

6.9 Valuation Overview

AmeriTrust 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
- See complete FNMA Guides at www.efanniemae.com
- See complete USPAP Guides at www.uspap.org

Appraiser Independence

AmeriTrust 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.
- AmeriTrust 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 in independent third-party.

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

Appraisal Reviews

Appraisal reviews are required for all loan amounts. Any loan amount over $2,000,000.00 will require two full appraisals. The lesser of the two is to be used for valuation for the loan file. When two full appraisals are provided an additional valuation, report is not required. However, when only one appraisal is provided the follow secondary report is required.

Collateral Desktop Analysis (CDA) from Clear Capital Appraisal Management or an independent vendor required; or Appraisal Risk Review (ARR) from Pro Teck is required when the CU score is greater than 2.5.

- 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, 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 condition are allowed and there should be no seller concessions due to damage to the property that was caused by the declared federal disaster.

6.10 Title Insurance Requirements

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

AmeriTrust 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 AmeriTrust's underwriters. AmeriTrust will not allow loans that are held in an Irrevocable Trust.
- The definition of the estate should be Fee Simple.
- For a purchase loan, the vesting will state the seller's name(s) and should match the purchase contract. A deed transferring title will be required at closing.
- The Legal Description for the property should appear as it does on the appraisal and the application. The tile report must contain the entire legal description and may be identified by lot and block or metes and bounds description.
- The original title commitment should be countersigned by an authorized person from the title company.
- Title report should show the appropriate lien position. It will also show if there are any exceptions listed on the commitment.
- Outstanding mortgages on the subject property are also listed on the preliminary title report. Any additional mortgages must be addressed, paid-off and released at or prior to closing the loan. If any liens are to remain open, they must meet AmeriTrust's subordination guides.
- Liens and Judgments. Any liens (federal tax liens, mechanic's liens, etc.) or judgements must be paid-off at or prior to closing. Judgments that belong to another person or of a similar name may appear on the preliminary title report. In these instances, the applicant must sign an affidavit at closing, to satisfy the title company, which states they are not the person(s) named in the judgement(s). These judgments should not be on the final title policy. Solar 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 AmeriTrust'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. AmeriTrust 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 after 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. AmeriTrust will require affirmative language if they remain as exceptions on the final title policy. We must confirm that these leases do not provide for any surface rights. If lease does provide for surface rights this property will be ineligible for sale to AmeriTrust.
- 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 AmeriTrust.

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

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

6.10.1 Title Policy Requirements

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

Endorsements

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

- Comprehensive Endorsement Survey (ALTA Form 100 or ALTA 9)
- EPA Endorsement (ALTA 8.1)

- Condominium Endorsement (ALTA 4)
- PUD Endorsement (ALTA 5)
- Adjustable/Variable Rate Endorsement (ALTA 6)

Spousal Property Rights

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

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

Survey Requirements – Each loan will have

- A survey of the property securing the loan; or
- A survey affidavit, acceptable in all respects to the title insurance company insuring the loan, such that the title insurance policy insuring the first mortgage encumbering the loan is without exception regarding any matter related to a survey including:
    - 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.

6.10.2 Hazard Insurance Requirements/Cond (HO6)

Hazard insurance must protect against the loss or damage of the property from fire and other hazards covered by the standard extended coverage endorsement. AmeriTrust 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, AmeriTrust 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

Other Requirements:

- AmeriTrust requires Hazard Insurance protection on all loans. A Declaration Page is required prior to closing for all loans as proof of insurance
- AmeriTrust will require evidence of continuing coverage on all refinance transactions where the coverage termination date is within 30 days of the closing,
- A Loss Payable Endorsement is required on all loan transactions.
- Property Insurance Minimum Rating requirements must be met.

Disaster Policies:

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

- AmeriTrust 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. See Doc Magic Doc Prep for a copy of this document.

Deductibles:

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

amount of the policy.

- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Evidence of Insurance:

- Names of the borrowers to reflect same name as on the Note/Security Instrument
- Property address matches the Note/Security Instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance agent information
- Effective and expiration dates of coverage
- Premium amount
- Coverage amount and deductible
- Loss payee clause as applicable
- Signed and dated by the agent

Amount of Coverage Required:

Hazard Insurance coverage should be in the amount of the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage, if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

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 should be in the amount of the lesser of:

- 100% of the insurable value of improvements, as established by the property insurer; or
- The unpaid principal balance of the mortgage, if it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage of loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

Provided below is a formula for determining the required amount of hazard insurance coverage that is generally required for first mortgage liens.

Step 1: Compare the insurable value of the improvements (established by the property insurer) to the unpaid principal balance of the mortgage.

1. If the insurable value of the improvements is less than the unpaid principal balance, then the insurable value will be the amount of coverage required.
2. If the unpaid principal balance of the mortgage is less than the insurable value of the improvements, then continue to step 2.

Step 2: Calculate 80% of the insurable value of the improvements.

1. If the result of this calculation is less than or equal to the unpaid principal balance of the mortgage, then the unpaid principal balance will be the amount of coverage required.
2. If the result of this calculation is greater than the unpaid principal balance of the mortgage, then this calculated figure will be the amount of coverage required.

Examples:

	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Balance	$95,000	$90,000	$75,000
80% Insurable Value	-	$80,000	$80,000
Required Coverage	$90,000	$90,000	$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

6.10.3 Miscellaneous

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.

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 AmeriTrust.

Age of Documents:

Credit documents 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.

Escrows:

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

Maximum Financed Properties:

- AmeriTrust's exposure may not exceed $5MM or 10 loans aggregate to any one borrower.
- A borrower may own up to 20 financed properties including the subject property.

7.0 Exceptions

Exceptions to AmeriTrust Guides can be made at the lender's discretion. The lender's Underwriter should review the loan file to ensure prudent underwriting was used as well as listing compensating factors for the loan exceptions.

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