

Delegated Correspondent

Silver Hill Capital DSCR



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Silver Hill Capital Standard DSCR Eligibility				
Minimum Credit Score	Units	Maximum Loan Amount	Maximum LTV DSCR $\geq 1.00^1$	
			Purchase/Rate/Term Refinance	Cash-Out Refinance
700	1-4	\$1,500,000	80	75
		\$2,000,000 ²	75	70
680	1-4	\$1,500,000	80	70
		\$2,000,000 ²	70	65
660	1	\$1,500,000	75	65
		\$2,000,000	65	60
Minimum Credit Score	Units	Maximum Loan Amount	Maximum LTV DSCR 0.75–0.99 ¹	
			Purchase/Rate/Term Refinance	Cash-Out Refinance
700	1-4	\$1,500,000	75	70
		\$2,000,000	65	60
680	1-4	\$1,500,000	75	65
		\$2,000,000	65	55
660	1	\$1,500,000	70	60
		\$2,000,000	60	50

¹ LTV reductions are applicable to loans with specific characteristics. See the following sections:

- Occupancy – unleased (vacant) long term rentals
- Eligibility – inexperienced investors
- Short-term rentals
- Eligible Property Types – non-warrantable condos

² DSCR ≥ 1.00 : 2-4 unit properties permitted up to a \$2,500,000 loan amount with a 5% reduction to LTV and minimum 680 FICO

Silver Hill Capital Blanket DSCR Eligibility					
Minimum Credit Score	Units	Maximum Loan Amount	Max LTV ¹ DSCR ≥ 1.0		
			Purchase	Rate and Term	Cash-Out
700	1-4	\$6,250,000	80	80	75
680	1-4	\$5,500,000	80	75	70
660	1	\$5,500,000	75	75	65

¹ LTV reductions are applicable to loans with specific characteristics. See the following sections:

- Occupancy – vacant long term rentals
- Eligibility – inexperienced investors
- Short-term rentals
- Eligible Property Types – non-warrantable condos

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DSCR Loan Product							
Product Description	<ul style="list-style-type: none"> The Silver Hill Capital Debt Service Coverage Ratio (DSCR) product is designed for investors purchasing or refinancing investment properties for business purposes only. The typical borrower is expected to have a history of managing income-producing rental properties. DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio 						
Eligible Products Terms	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #004a5c; color: white; text-align: center;">Standard/Single Property</th> <th style="background-color: #004a5c; color: white; text-align: center;">Blanket/Multiple Property¹</th> </tr> </thead> <tbody> <tr> <td>PPF340: DSCR Fixed Rate 30 year term</td> <td>PPF350: DSCR Fixed Rate 30 year term</td> </tr> <tr> <td>PPF410: 10yr I/O with loan fully amortizing over remaining 20 years</td> <td>PPF510: 10yr I/O with loan fully amortizing over remaining 20 years</td> </tr> </tbody> </table> <p>¹Pricing for Blanket/Multiple Property options is available on the Silver Hill Capital Daily Rate Sheets and not available in all pricing engines</p>	Standard/Single Property	Blanket/Multiple Property ¹	PPF340: DSCR Fixed Rate 30 year term	PPF350: DSCR Fixed Rate 30 year term	PPF410: 10yr I/O with loan fully amortizing over remaining 20 years	PPF510: 10yr I/O with loan fully amortizing over remaining 20 years
Standard/Single Property	Blanket/Multiple Property ¹						
PPF340: DSCR Fixed Rate 30 year term	PPF350: DSCR Fixed Rate 30 year term						
PPF410: 10yr I/O with loan fully amortizing over remaining 20 years	PPF510: 10yr I/O with loan fully amortizing over remaining 20 years						
Loan Amounts	<ul style="list-style-type: none"> Maximum Loan Amount: <ul style="list-style-type: none"> \$2,000,000 (standard single family) \$2,500,000 (standard 2-4 units) \$6,250,000 (blanket/multiple property) Minimum Loan Amount: 100,000 Minimum DSCR of 1.25 required on loan amounts less than \$150,000 						
Interest-Only	<ul style="list-style-type: none"> Permitted on Standard and Blanket loans 10 year IO period only DSCR permitted to be calculated using ITIA payment Reserve requirements are based on the ITIA payment Minimum DSCR: Program minimum as determined by individual loan characteristics plus .10 						
Loan Documentation Requirements	<p><u>Application must include the following:</u></p> <ul style="list-style-type: none"> Loan amount and terms Subject and primary residence property address, type of property and number of units Blanket mortgage applications should include the following for each property included in the blanket: <ul style="list-style-type: none"> Address Property type and number of units Appraised value and date of appraisal Occupancy (vacant or occupied) Rent Taxes, Insurance and any applicable HOA fees Entity name and address (if applicable) Borrower/guarantor(s) information including: social security number, HMDA information (natural borrower or business entity as applicable, not required for guarantors), date of birth, address and authorization to pull credit 						

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	<p><u>Note must include:</u></p> <ul style="list-style-type: none"> • Collateral information • Loan terms, including prepayment penalty (if applicable) as shown in the section <p><u>Security Instrument must include:</u></p> <ul style="list-style-type: none"> • Collateral information, • Language that provides the holder of the security instrument with a valid and enforceable lien position <p><u>Additional Required Documentation</u></p> <ul style="list-style-type: none"> • Business Purpose and Non-Owner Occupancy Affidavit must be included in loan documentation • Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests • Personal Guaranty (when closing in the name of a business entity) • Cash out explanation for natural person borrowers (if not addressed on Business Purpose and Non-Owner Occupancy Affidavit) • 1-4 Family Rider (residential package) /Assignment of Rents Rider (commercial package) • All other business entity forms and requirements noted in the Eligibility section below (if applicable) • All other forms required per the document checklist found in the Reference Library of the Correspondent Portal • Lenders must comply with all aspects of ECOA (please note that this includes the Right to Receive a Copy of the Appraisal Report Disclosure)
<p>Loan Purpose</p>	<ul style="list-style-type: none"> • All loans must be for business purposes only and must be certified as such by the borrower/guarantor. No property can be occupied by any of the borrowers or guarantors (primary or secondary). Silver Hill Capital reserves the right to decline purchase of any loan that may indicate the property is not intended exclusively for business purposes • Some common occupancy red flags include but are not limited to: <ul style="list-style-type: none"> ◦ Borrower(s) are currently living rent free or renting their primary residence ◦ Subject property could reasonably function as a second home ◦ Borrower or other documents show subject property as current primary residence ◦ The value of the subject property significantly exceeds the value of the borrower’s primary residence • Purchase, Rate/Term Refinance & Cash-Out transactions are permitted

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Purchase Transaction	<ul style="list-style-type: none">• 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 incorporated into the LTV/CLTV calculation
Cost Basis	<ul style="list-style-type: none">• Cost Basis: Cost basis is inclusive of the following:<ul style="list-style-type: none">◦ Purchase price◦ Paid and documented borrower/guarantor rehabilitation/renovation costs expended to date evidenced by an "as is" appraisal and paid work receipts◦ Customary borrower/guarantor paid arms-length closing costs/ fees, including real estate broker commissions, title, escrow, other closing costs and the amount of taxes, HOA dues, fees, assessments, assignment fees (assignment fees greater than 10% of purchase price will require approval by Silver Hill Capital)<ul style="list-style-type: none">▪ If closing costs are not documented or clearly verifiable at the time of closing, then up to 2% of the purchase price may be added to the purchase price for the assessment of Cost Basis.◦ Liens paid by the borrower/guarantor or its affiliates in connection with and at the time of the acquisition• Mortgage broker fees, origination fees, points, etc. cannot be included in the Cost Basis
Rate/Term Refinance Transactions	<p><u>General Requirements</u></p> <ul style="list-style-type: none">• New loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items.<ul style="list-style-type: none">◦ A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months• If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC<ul style="list-style-type: none">◦ A seasoned HELOC is defined as a HELOC that has been in place for at least twelve months and not having draws totaling over \$2000 in the most recent twelve months. Withdrawal activity must be documented with a transaction history• Max cash back at closing is limited to 2% of the new loan amount <p><u>LTV Restrictions</u></p> <ul style="list-style-type: none">• Standard loans:<ul style="list-style-type: none">◦ If owned ≤ 6 months:<ul style="list-style-type: none">▪ Use lower of Cost Basis (defined herein) or appraised value to calculate

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	<p>LTV, or</p> <ul style="list-style-type: none"> ▪ If Cost Basis exceeds the purchase price by $\geq 120\%$ then the appraised value can be used to calculate the LTV but the total loan amount will be limited to no more than the Cost Basis ◦ If owned > 6 months: Use appraised value <p>• Blanket loans:</p> <ul style="list-style-type: none"> ◦ If the average ownership of all properties included in the loan amount is less than 6 months use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV ◦ If the average ownership of all properties included in the blanket loan is greater than 6 months, use appraised value for all properties to calculate LTV <p><u>Example:</u></p> <p>For illustrative purposes, the below assumptions will be made</p> <ul style="list-style-type: none"> • Purchase Price: \$200,000 • As Is Appraised Value: \$500,000 • Closing Costs: \$4000 • Paid and Documented Renovations: \$102,000 <p>Cost Basis Determination (inclusive of closing costs and paid/documentated renovations)</p> <ul style="list-style-type: none"> • \$200,000 (purchase price) + \$4000 (closing costs) + \$102,000 (documented renovations) = \$306,000 <p>Current as is appraised value of \$500,000 (assuming a maximum allowable LTV of 80%) would yield a maximum loan amount of \$400,000</p> <p>In the above example, because the Cost Basis exceeds the purchase price by $\geq 120\%$, ($\\$306,000/\\$200,000 = 153\%$), the current appraised value can be used to calculate maximum LTV ($80\% \times \\$500,000 = \\$400,000$), however, the maximum loan amount is limited to the Cost Basis (Cost Basis as calculated above = \$306,000)</p>
<p>Cash-Out Transactions</p>	<ul style="list-style-type: none"> • A cash-out transactions is one that refinances existing debt on a property and in which the borrower/guarantor receives net proceeds (excluding third-party expenses reflected on the HUD or similar document) from the refinancing that exceed 2% of the loan amount. Financing of properties owned free and clear and acquired more than six months prior to the new loan disbursement date is also considered a Cash Out Refinance

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	<ul style="list-style-type: none"> • Cash-out loan proceeds may be used for business purposes only • Signed explanation of cash out required if Business Purpose and Non-Owner Occupancy Affidavit does not address use of proceeds (required for natural borrowers only). All documentation in file must support and not conflict with the Business Purpose and Non-Owner Occupancy Affidavit • Cash-out may be used for reserves if FICO > 700 • Cash-out proceeds cannot exceed \$500,000 for standard loan transactions or \$1,000,000 for blanket loan transactions <p><u>LTV Restrictions</u></p> <ul style="list-style-type: none"> • Standard loans: <ul style="list-style-type: none"> ◦ If owned ≤ 6 months: <ul style="list-style-type: none"> ▪ Use lower of Cost Basis (defined herein) or appraised value to calculate LTV, or ▪ If Cost Basis exceeds the purchase price by ≥ 120% then the appraised value can be used to calculate the LTV but the total loan amount will be limited to no more than the Cost Basis ◦ If owned > 6 months: Use appraised value • Blanket loans: <ul style="list-style-type: none"> ◦ If the average ownership of all properties included in the loan amount is less than 6 months use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV ◦ If the average ownership of all properties included in the blanket loan is greater than 6 months, use appraised value for all properties to calculate LTV <p>* See above example in the Rate/Term Refinance Transactions Section for calculation of maximum LTV and loan amount</p>
<p>Delayed Financing</p>	<ul style="list-style-type: none"> • Property was purchased within 6 months of the loan application • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property • Preliminary title reflects the borrower/guarantor as the owner and no liens • Prior transaction must have been arm's length • Will be treated as a rate and term refinance
<p>Occupancy</p>	<ul style="list-style-type: none"> • No subject property is permitted to be occupied by any of the borrower/guarantors or their immediate family • Investment properties 1-4 units <ul style="list-style-type: none"> ◦ <u>Occupied/Leased Property</u>: A property that has at least the following number of Occupied/Leased Units: <ul style="list-style-type: none"> ▪ Single-family property = one unit occupied

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	<ul style="list-style-type: none"> ▪ Two-family property = two units occupied ▪ Three-family property = two units occupied ▪ Four-family property = three units occupied <p>○ <u>Unoccupied/Unleased Property</u>: A property that is not categorized as an Occupied/Leased Property as defined above</p> <ul style="list-style-type: none"> ▪ Unoccupied/Unleased long term rental properties are subject to a 5% LTV reduction to the maximum permitted per the eligibility grid for any refinance transaction
<p>Age of Documents</p>	<p>All credit documents, including title commitment must be no older than 90 days from the Note date with the exception of the credit report which must be no older than 120 days from the Note date</p>
<p>Eligibility</p>	
<p>Eligibility</p>	<ul style="list-style-type: none"> • First-time homebuyers are not eligible. A first-time homebuyer is defined as a borrower who has not owned a residential property at any time during the prior three years • Both experienced investors and inexperienced investors are permitted <p><u>Experienced investors are defined as:</u></p> <ul style="list-style-type: none"> ○ Borrower and at least one Guarantor (if applicable) must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent 3 years, or ○ Borrower and at least one Guarantor (if applicable) must have had ownership in three or more properties over the past 24 months <ul style="list-style-type: none"> • <u>Inexperienced investors are defined as:</u> <ul style="list-style-type: none"> ○ Borrowers/Guarantor(s) not meeting the definition of an experienced investor are considered to be inexperienced investors. These loans must meet the additional criteria: <ul style="list-style-type: none"> ▪ Minimum DSCR of 1.0 ▪ Maximum LTV 75% ▪ Maximum loan of \$1,000,000 ▪ Must currently own a primary residence for at least one year ▪ Minimum 12 months PITIA for subject property ▪ Blanket mortgages not permitted • Borrower/Guarantor(s) must be US Citizens or Non-US Citizen(s) who are lawfully present in the United States. This includes both Permanent Qualified Resident Aliens and Non-Permanent Qualified Aliens • All borrower/guarantor(s) must have a valid Social Security Number • Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements)

All business entities must:

- Be a legal entity domiciled in the United States, including Limited Liability Companies (LLCs), Limited Partnerships (LPs), Partnerships, and Corporations
- Business entity loans must have at least one full recourse “warm body”, personal guaranty by a natural person
 - Any owner of 25% or more of the borrowing entity must be a personal guarantor
 - At least 51% of the ownership of the underlying entity must be personal guarantor(s)
 - If no owner represents 25% or more ownership interest, the majority owner of the underlying entity must be a personal guarantor
 - Any “managing member” or “controlling holder” of the business entity must be a Personal Guarantor for the loan
 - A “controlling holder” is any individual or entity that has the ability to direct the activity of the borrowing entity or has the ability to act on behalf of the company (i.e., borrow money, dissolve the entity, remove members, etc.) without unanimous or majority consent of the members
 - All members of an entity will be deemed as managing members absent documentation to the contrary
 - An application, credit report and background check is required on all personal guarantors
 - Personal guarantors are not required to sign the loan closing documents (Note, Mortgage etc.) except to the extent that they are signing on behalf of the entity to encumber indebtedness. If a borrower signs the loan closing documents (Note, Mortgage etc.) as an individual natural person (not on behalf of the entity) then a separate personal guarantee is not required
- No Correspondent Seller shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan
- Titles currently vested in individual name(s) or in the name of an existing legal entity but which will be closing in a newly formed entity must meet the following requirements:
 - All members listed on title must apply for the loan; and
 - All individuals listed on title must be listed on the newly formed entity as members; and
 - All members must guarantee the loan based on the interest of the current vesting. For example, if the property is currently vesting in husband and wife as joint tenants, both must guarantee the loan regardless of the membership interest detailed in the newly formed entity
- Be an entity with natural person members
- Be a U.S. based entity in good standing

Business Entity Documentation Requirements:

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	<ul style="list-style-type: none"> • Certificate of formation, filed articles of incorporation (if applicable), including any and all amendments, if applicable, and a current listing of all ownership interests <ul style="list-style-type: none"> ◦ An Operating Agreement and all amendments and restatements for the LLC must be provided in order to confirm acceptability of the LLC, including but not limited to granting authority to the signor to encumber indebtedness on behalf of the entity • Lender to provide a clear OFAC check for all individuals with 25% or more ownership of the entity (ownership must be confirmed by a current listing of ownership interests) • Current Certificate of Good Standing dated within 12 months prior to note date • Lender certifies that the legal entity structure, ownership percentage and managing members at the time of closing are consistent with the documentation provided in loan file presented for purchase
<p>Ineligible Borrower/Guarantors</p>	<ul style="list-style-type: none"> • Life Estates • Irrevocable Trusts • Blind Trusts • Guardianships • Community Land Trusts • Land Trusts • Borrower/guarantors/business entities with any ownership in a business that is federally illegal, even though the income is not being considered for qualifying • Foreign Nationals • Non-profit organizations including, but not limited to 501(c)(3) and 501(c)(4) • Trusts or LLCs whose members include other LLCs, corporations, partnerships, or trusts must be approved prior to close by Silver Hill Capital as a single loan variance • Trusts or LLCs where a Power of Attorney is used • Borrower/guarantor(s) with Diplomatic Immunity status
<p>Non-Arm's Length</p>	<ul style="list-style-type: none"> • A non-arm's length transaction exists whenever there is a personal or business relationship with any party to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party <ul style="list-style-type: none"> ◦ If the seller is a relative, they must also document the most recent 12 months payment history on the property's existing mortgage, if any ◦ Foreclosure bailouts are not allowed. Payoff statement and Verification of Mortgage (VOM) on subject required as verification

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	<ul style="list-style-type: none"> • The following non-arm's length transactions are eligible: <ul style="list-style-type: none"> ◦ Family sales or transfers ◦ Assignment of contracts ◦ Property seller acting as their own real estate agent ◦ Relative of the property seller acting as the seller's real estate agent ◦ Borrower/guarantor acting as their own real estate agent ◦ Relative of the borrower/guarantor acting as the borrower/guarantor's real estate agent ◦ Borrower/guarantor purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower/guarantor and landlord)
Credit	
Underwriting	<ul style="list-style-type: none"> • Manual underwrite is required • In some cases, single loan variances to program eligibility may be acceptable when strong compensating factors exist to offset the risk. Single loan variances must be granted by Silver Hill Capital • Items not addressed in this matrix should be referred to Silver Hill Capital • Simultaneous submissions do not need to be underwritten simultaneously
Credit Requirements	<ul style="list-style-type: none"> • Tri-merged credit reports are required on all borrower/guarantor(s) dated within 120 days of loan origination <ul style="list-style-type: none"> ◦ The representative score for each borrower/guarantor is: <ul style="list-style-type: none"> ▪ The middle score when three scores are obtained, or ▪ The lower score when two scores are obtained ▪ If only one score is obtained, the borrower/guarantor is ineligible • The representative score for the loan is the lowest representative score of the borrower(s) or guarantor(s), as applicable • Minimum 2 trade lines are acceptable if the borrower/guarantor has a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months and 1 additional open trade line • Each borrower/guarantor must meet the minimum trade line requirements • Authorized user accounts are not allowed as an acceptable trade line • Non-traditional credit is not allowed as an acceptable trade line • Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required

Fraud Report/Background Check

- In addition to compliance the OFAC and Exclusionary list policy as set forth in the Special Products Seller Guide, Section B707, all loans must include a third-party background check/fraud detection report for all borrowers/guarantor(s). Report findings must cover standard areas of quality control and be dated within 90 days of loan origination. In accordance with U.S. Treasury requirements for AML/BSA compliance, lenders must also verify that all applicable parties are not citizens of or reside in a country identified by Financial Action Task Force (FATF) as being a high-risk jurisdiction or a jurisdiction with strategic deficiencies
- All “high-level” and/or “red flag” alerts on the report must be addressed. A copy of the findings report from the vendor must be provided in the loan file with all “high-level” alerts, or “red flags” addressed and/or cleared by the seller (lender). If the seller cannot electronically access the fraud report to clear alerts within the fraud provider’s system, an Underwriter’s Certification from the seller is acceptable. The Certification must address each individual high alert/red flag and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the seller’s underwriting staff or operations management personnel. Silver Hill Capital may request additional documentation to address high fraud risk
- If the borrower/guarantor is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower/guarantor’s ability to repay, assets or collateral
- If background check is not available, the seller must provide evidence of an unsuccessful return
- Fraud checks must also include occupancy status to assist in the validation and endorsement of the Business Purpose and Non-Owner Occupancy Affidavit
- Background search may be from one of the suggested vendors below or another comparable industry recognized fraud and data vendor
- A judgement and lien search must be included. Any material judgements/liens shown on background reporting may have proof of satisfaction requested
- A combination of vendor reports may be used provided that together they fulfill the background search requirements
 - Lexis Nexis (i.e, SmartLinx Person Report)
 - Checkpoint (i.e., Investigative Instant and/or Non-Instant Search)
 - Pacer (Public Access to Court Electronic Records)
 - FraudGuard (Standard Fraud & Loan Quality Report with added Lien and Judgement Module)
 - DataVerify (Standard Fraud & Loan Quality Report with added Lien and Judgement Module)
 - First American (TPR Vendor Management Suite)

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<p>Housing History</p>	<p>Mortgage history requirements:</p> <ul style="list-style-type: none"> • Provide a 12 month housing history on the primary residence and the subject property, applicable to all borrower/guarantor/entity(s) on the loan <ul style="list-style-type: none"> ◦ Experienced borrowers with no primary housing history (rental or mortgage) are eligible provided they meet housing history requirements on the subject property(s) • Maximum 1x30x12 between all disclosed mortgages • The mortgage history may be from the credit report, credit supplement or a third party verification service. If the mortgage holder is a party to the transaction or relative of the borrower/guarantor then cancelled checks or bank statements are required to verify a satisfactory mortgage history • A 12-month rental history reflecting a maximum 1x30x12 is required when the borrower is renting their current primary residence. The following documents are required: <ul style="list-style-type: none"> ◦ Verification of rent (VOR): <ul style="list-style-type: none"> ▪ 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.) • Borrower(s)/guarantor(s) mortgage credit history may not show evidence of a loss mitigation program, repayment plan, loan modification or payment deferral plan and must meet all additional requirements in forbearance section below
<p>Significant Derogatory Credit</p>	<p>Significant derogatory credit events are permissible under the following circumstances:</p> <ul style="list-style-type: none"> • Bankruptcy, Chapter 7, 11, 13 - 3 years since discharge / dismissal date • Foreclosure - 3 years since completion date • Short Sale/Deed-in-Lieu - 3 years since completion / sale date • Forbearance (refer to section below) • Mortgage accounts that were settled for less, negotiated or short payoffs - 3 years since settlement date • Loan modification - 3 years since modification date • Notice of Default - 3 years <ul style="list-style-type: none"> ◦ NOD's on short term bridge loans with hard maturities may be acceptable assuming all deficiencies are cleared and documented. These loans are subject to Silver Hill Capital approval • Multiple derogatory credit events require a 7 year seasoning period <ul style="list-style-type: none"> ◦ A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event

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	<ul style="list-style-type: none"> o A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event • Medical collections are allowed to remain outstanding if the balance is less than \$10,000 in aggregate • Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing • Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts • Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full
<p>Forbearance</p>	<p>Subject and Non-Subject Properties</p> <ul style="list-style-type: none"> • Any forbearance resulting in a subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a 3 year waiting period • Any loan(s) shown to be in <u>active</u> forbearance is considered a significant derogatory credit event and is ineligible • If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event • Loan file must contain a letter of explanation from the borrower/guarantor detailing the reason for forbearance and that the hardship no longer exists
<p>Debt Service Coverage Ratio</p>	
<p>Debt Service Coverage Ratio (DSCR)</p>	<p><u>Debt Service Coverage Ratio (DSCR):</u></p> <ul style="list-style-type: none"> • The DSCR is calculated by taking the gross rents divided by the PITIA of the subject property <ul style="list-style-type: none"> o Interest-only loans may use the ITIA payment for DSCR calculation – see Interest-only section for minimum DSCR requirement and additional details • Use the real estate taxes listed on the title policy or a current real estate tax bill converted into a monthly payment • Use the insurance premium that is listed on the approved insurance certificate converted into a monthly payment • Use the Association fees (if applicable) that is listed as the monthly amount on the appraisal or current homeowner association statement <p><u>Gross Rent Requirements (see Short-Term Rentals below, if applicable):</u></p> <ul style="list-style-type: none"> • Purchase: <ul style="list-style-type: none"> o Obtain Appraisal Form 1007/1025 and use 100% of the gross market rent in DSCR calculation <ul style="list-style-type: none"> ▪ In cases where the purchase contract clearly states that the existing lease agreement will be assigned to the borrower at closing, then the gross rent used in the DSCR calculation is the lesser of the lease

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	<p>agreement or the market rent (from appraisal form 1007/1025). If the lease agreement is greater than the market rent but is $\leq 10\%$ over the market rent, then the lease amount can be used for qualifying, however the amount used to qualify cannot exceed 10% over the market rent</p> <ul style="list-style-type: none"> • Refinance: <ul style="list-style-type: none"> ◦ Obtain both a current lease agreement and Appraisal Form 1007/1025. An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires or per local statutes is still current is allowed ◦ Gross rent used in the DSCR calculation is the lesser of the lease agreement or the market rent (from appraisal form 1007/1025). If the lease agreement is greater than the market rent but is $\leq 10\%$ over the market rent, then the lease amount can be used for qualifying, however the amount used to qualify cannot exceed 10% over the market rent <table border="1" data-bbox="446 814 1542 974"> <thead> <tr> <th colspan="2">Example #1 – Actual Rent is 20% Above Market</th> <th colspan="2">Example #2 – Actual Rent is 5% Above Market</th> </tr> </thead> <tbody> <tr> <td>Actual rent per lease agreement</td> <td>\$1200</td> <td>Actual rent per lease agreement</td> <td>\$1050</td> </tr> <tr> <td>Market rent per appraisal form 1007/1025</td> <td>\$1000</td> <td>Market rent per appraisal form 1007/1025</td> <td>\$1000</td> </tr> <tr> <td>Allowable amount for qualifying</td> <td>\$1100</td> <td>Allowable amount for qualifying</td> <td>\$1050</td> </tr> </tbody> </table>	Example #1 – Actual Rent is 20% Above Market		Example #2 – Actual Rent is 5% Above Market		Actual rent per lease agreement	\$1200	Actual rent per lease agreement	\$1050	Market rent per appraisal form 1007/1025	\$1000	Market rent per appraisal form 1007/1025	\$1000	Allowable amount for qualifying	\$1100	Allowable amount for qualifying	\$1050
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<p>DSCR Restrictions</p>	<ul style="list-style-type: none"> • DSCR < 1.0 not permitted for: <ul style="list-style-type: none"> ◦ Inexperienced investors ◦ Blanket loans • DSCR < 1.0 requires 9 months reserves • Short-term rentals require a DSCR ≥ 1.25 • Interest-only: Minimum DSCR is program minimum as determined by individual loan characteristics plus .10 • Minimum DSCR of 1.25 required on loan amounts less than \$150,000 																
<p>Short-Term Rentals</p>	<p>Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement</p> <ul style="list-style-type: none"> • Maximum 60% LTV for all Standard and Cross Collateralized (Blanket) transactions using short-term rental income to qualify • Minimum DSCR 1.25 • Interest-only permitted <ul style="list-style-type: none"> ◦ DSCR is program minimum as determined by individual loan characteristics plus .10 ◦ Qualify on ITIA ◦ Inexperienced investors not permitted to qualify via short term rental • All loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals <ul style="list-style-type: none"> ◦ New York City short-term rental qualifying income not permitted 																

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	<ul style="list-style-type: none">• <u>DSCR Calculation</u><ul style="list-style-type: none">◦ Monthly gross rent (as determined by transaction type – see below) multiplied by 80% (to account for costs associated with operating a short-term rental property) divided by PITIA (or ITIA for IO loans) = DSCR• <u>Determining Gross Monthly Rental Income</u> – the following methods may be used to determine gross monthly rental income:<ul style="list-style-type: none">◦ <u>Purchase</u><ul style="list-style-type: none">▪ 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents; or▪ AirDNA Rentalizer Property Earning Potential report that meets the following requirements:<ul style="list-style-type: none">• Only allowed for purchase transactions• Forecast period must cover 12 months from the note date• The occupancy rate must be > 60%• Must have at least five (5) comparable properties, all within the same ZIP code, must be similar in size, room count, amenities, availability, and occupancy• Market score for subject property must be 60 or better• Monthly gross rent is annual revenue / 12 not to exceed 125% of market rent◦ <u>Refinance</u><ul style="list-style-type: none">▪ Most recent 12-month* rental history statement from a third party rental/management service not to exceed 125% of market rent. The statement must identify the subject property/unit, rents collected for the previous 12-months*, or▪ Most recent 12-month* bank statements from the borrower evidencing rental deposits not to exceed 125% of market rent. If no rent received, use zero for that month. Borrower must provide rental records for the subject property to support monthly deposits <p>* Properties owned ≥ 6 months but < 12 months may be considered on a single loan variance basis. Income calculation will be at Silver Hill Capital's discretion</p>
Cross Collateralized Loans (Blanket)	<ul style="list-style-type: none">• Inexperienced investors not permitted• Minimum 1.00 DSCR• Minimum of 2 properties• Up to 25 properties can be combined into a single loan• Minimum asset value of \$100,000 per each property included• Maximum asset value of \$1.5M per unit for each property included (i/e \$1.5M maximum value on 1-unit, \$3.0M maximum value on 2-unit, etc.)• Maximum loan amount of \$6,250,000• See Appraisal Requirements section to determine the pro rata loan amount for

each property for the purpose of determining appraisal requirements

- LTV Restrictions

- Maximum 60% LTV for all Cross Collateralized (Blanket) transactions using short-term rental income to qualify A blanket loan is considered a short-term rental when 25% or more of the included properties are short-term rentals
- A 10% LTV reduction is applicable to all blanket loan transactions with the below characteristics
 - Non-warrantable condominiums. Blanket loans are categorized as non-warrantable condominium loans transactions when 25% or more of the included properties are non-warrantable condominiums; or
 - If >25% of the properties included in a blanket loan have individual DSCR's between 0.75 and 0.99 DSCR (See example below for pro rata DSCR calculation); or
 - Unoccupied/Unleased Property: Blanket loans are categorized as Unoccupied/Unleased when 25% or more of the included properties are vacant according to the definition in the Occupancy section of this product guide

- Blanket loan transactions not meeting these requirements may be considered by Silver Hill Capital on single loan variance basis

- If $\geq 25\%$ of the properties included in the blanket are condominiums, 2-4 units, or a combination of both, a Single Loan Variance (SLV) and pre-close pricing exception will be required
- Different property types can be collateralized together. Pricing and eligibility based on the most restrictive property type of all within the cross
- Cannot use FNMA/FHLMC Notes and/or Security Agreements
- Minimum DSCR on any individual property in the blanket is 0.75
- Release Price: Blanket/multiple property loans may permit partial releases at a release price equal to at least 120% of the allocated loan amount for each property. Allocated loan amounts must be determined based on the appraised values of each property

Example: Pro rata DSCR calculation to determine if >25% of the properties included in the blanket have individual DSCR's between 0.75 and 0.99 DSCR. An individual property's DSCR should be calculated by allocating a pro rata portion of the P&I on the new loan based on property value

Assumptions:

- Blanket loan secured by seven properties
- P&I payment on new blanket loan is \$2500

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- o Monthly taxes, insurance and association fees for property #4 are \$1200
- o Monthly gross rental income on property #4 is \$1700

Step 1: Determine pro rata allocation for each property based on the value of each property used to calculate LTV. For property #4, the allocation percentage is calculated as \$200,000 divided by \$800,000 = 25%

Property	Appraised Value	Allocation Based on Total Appraised Values
1	\$100,000	12.5%
2	\$100,000	12.5%
3	\$100,000	12.5%
4	\$200,000	25.0%
5	\$100,000	12.5%
6	\$100,000	12.5%
7	\$100,000	12.5%
Total	\$800,000	100%

Step 2: multiply the total P&I payment on the new loan by the allocation percentage determined in step 1. Example for property #4: \$2500 x 25% = **\$625**

Step 3: Add the individual property's monthly TIA (taxes, insurance, association fees) to the allocated P&I. Example for property #4: \$625 + \$1200 = **\$1825**

Step 4: Calculate the individual DSCR for property by taking gross monthly rent divided by the allocated PITIA. Example for property #4: \$1700 divided by \$1825 = **.93**

Step 5: Repeat the calculation to determine each property's individual DSCR and then determine if >25% of the properties in the blanket have individual DSCRs between .75 and .99. If so, then the LTV must be reduced by 10%

Lease Requirements

Leases must:

- Be fully executed by both an Eligible Tenant and the borrower/guarantor(s) or their verified property manager (as landlord(s))
 - o Eligible Tenant: An eligible tenant is any party other than any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding
- Have a unit rental rate, and terms consistent with rates and terms prevailing in the local market where the property is located

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	<ul style="list-style-type: none"> • Be on a form that is customary to the area the property is located in and comply with all applicable legal requirements in all material respects (including all required disclosures) • Cover 100% of the square footage of the applicable residential unit • No borrower/guarantors (or owners of the borrower/guarantor if the borrower/guarantor is an LLC) or their Immediate family members may be a lessee • Lease with purchase option not permitted • Rent to own and/or contract for deeds are ineligible • All tenants on leases must be natural persons. Exceptions for other types of entities may be considered on a case by case basis
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Assets/Reserves

	<ul style="list-style-type: none"> • Beyond the minimum reserve requirements and to fully document the borrower/guarantor's ability to meet their obligations, borrower/guarantors should disclose all liquid assets • Eligible assets must be held in a US account • Two (2) most recent months account statements from either the borrower/guarantor/primary guarantor or the borrowing entity, as applicable (including inter vivos revocable trust assets), must be provided. The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements • Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted 												
Asset Requirements	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%; text-align: center;">Asset Type</th> <th style="width: 33%; text-align: center;">% Eligible for Calculation of Funds</th> <th style="width: 33%; text-align: center;">Additional Requirements</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Checking/Savings/Money Market/CDs</td> <td style="text-align: center;">100%</td> <td>Two (2) months most recent statements</td> </tr> <tr> <td style="text-align: center;">Publicly Traded Stocks/Bonds/Mutual Funds</td> <td style="text-align: center;">100%</td> <td>Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted</td> </tr> <tr> <td style="text-align: center;">Retirement Accounts (401(k), IRAs, etc.)</td> <td style="text-align: center;">70% of the vested value after the reduction of any outstanding loans</td> <td> <ul style="list-style-type: none"> • Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer-sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves </td> </tr> </tbody> </table>	Asset Type	% Eligible for Calculation of Funds	Additional Requirements	Checking/Savings/Money Market/CDs	100%	Two (2) months most recent statements	Publicly Traded Stocks/Bonds/Mutual Funds	100%	Two (2) months most recent statements. Non-vested stock is ineligible. Margin account and/or pledged asset balances must be deducted	Retirement Accounts (401(k), IRAs, etc.)	70% of the vested value after the reduction of any outstanding loans	<ul style="list-style-type: none"> • Most recent statement(s) covering a two (2) month period • Evidence of liquidation if using for down payment or closing costs • Evidence of access to funds required for employer-sponsored retirement accounts • Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves
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	Cash Value of Life Insurance/ Annuities	100% of value unless subject to penalties	Most recent statement(s) covering a two (2) month period
	1031 Exchange	Reverse 1031 exchanges not allowed	<ul style="list-style-type: none"> • HUD-1/CD for both properties • Exchange agreement • Sales contract for exchange property • Verification of funds from the Exchange Intermediary
	Business Funds	Allowed for down payment/closing costs and reserves with additional requirements met	<ul style="list-style-type: none"> • If business account used is not in the same name as the borrowing entity, then the following requirements must be met: <ul style="list-style-type: none"> ◦ Natural borrower/guarantor(s) must have ownership of 25% or greater of the entity holding the account ◦ Borrower/guarantor must also be named on the account or provide proof of access to 100% of the funds from other members
	Gift Funds	Permitted after borrower/guarantor minimum 10% contribution. Gifts that must be repaid are not eligible	<ul style="list-style-type: none"> • Donor must be a family member, future spouse or domestic partner • Executed gift letter with gift amount and source, donor's name, address, phone number and relationship • Seller must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account • Acceptable documentation includes the following: <ul style="list-style-type: none"> ◦ Copy of donor's check and borrower's deposit slip ◦ Copy of donor's withdrawal slip and borrower's deposit slip ◦ Copy of donor's check to the closing agent • A settlement statement/CD showing receipt of the donor's gift check • Gift funds are not permitted to meet reserve requirements
	Gift of Equity	Not Permitted	N/A
	Virtual Currency	Not Permitted	N/A

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	Non-vested or restricted stock accounts	Not Permitted	N/A
	Cash-on-hand	Not Permitted	N/A
	Down payment assistance programs	Not Permitted	N/A
	Unsecured loans or cash advances	Not Permitted	N/A
Reserves	<ul style="list-style-type: none"> • DSCR \geq 1.0: 6 months PITIA for subject property • DSCR $<$ 1.0: 9 months PITIA for subject property • Inexperienced Investor: Minimum 12 months PITIA for subject property • Cash out may be utilized for reserves if FICO $>$ 700 • Gift funds are not permitted to meet reserve requirements • Funds utilized for down payment and closing costs cannot be included in reserve funds • Interest Only: Reserves should be based on the ITIA payment • Simultaneous Closings: Total reserve requirements are cumulative and are the sum of the minimum reserve requirements for each closed loan 		
Interested Party Contributions	<ul style="list-style-type: none"> • Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction • The following restrictions for interested party contributions apply: <ul style="list-style-type: none"> ◦ May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves ◦ Maximum interested party contribution is limited to 2% of the purchase price 		
Seller Concessions	<ul style="list-style-type: none"> • All seller concessions must be addressed in the sales contract, appraisal and CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, Interested Party Contributions) or any amounts not being used for closing costs or prepaid expenses • If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV 		
Personal Property	<ul style="list-style-type: none"> • Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal • If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV 		
Subordinate Financing			
Subordinate Financing	Not permitted		
Down Payment/Closing Cost Assistance	Down payment and closing cost assistance subordinate financing is not permitted		

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Property/Appraisal	
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 Unit residential investment properties • Attached and detached • Planned Unit Developments (PUDs) • Condominiums – warrantable and non-warrantable (refer to Condo Project Requirements below) • Properties that are legal or legal-non-conforming use <p>Miscellaneous:</p> <ul style="list-style-type: none"> • Leaseholds must meet Fannie Mae requirements • Properties with leased solar panels must meet Fannie Mae requirements • All units/properties must have a functioning kitchen and bathroom • Properties must meet the following minimum square footage: <ul style="list-style-type: none"> ◦ 1 unit: 700 square feet ◦ Condominium: 500 square feet ◦ 2-4 unit: 400 square feet per unit
Acceptable Forms of Ownership:	<ul style="list-style-type: none"> • Fee Simple • Leaseholds • Deed/Resale Restrictions must meet Fannie Mae requirements
Ineligible Property Types	<ul style="list-style-type: none"> • Assisted living facilities, nursing homes or any arrangement where the unit owner or tenant contracts for a commitment for resident or tenant care • Community Land Trusts • Cooperatives • Condotels or time-shares • Lease with purchase option properties • Manufactured/Mobile Homes • Mixed-Use Properties • Model Home Leasebacks • Multifamily (5+ units) • Rural Properties defined as properties classified as rural by the appraisal or with two of three comparable properties more than 5-miles from the subject property • Properties with atypical physical features for the neighborhood • Properties in areas where more than 10% of other properties within a 2-block radius are either clearly vacant, abandoned and/or boarded-up • Properties located in Hawaii in lava zones 1 & 2 • Properties on Native American reservations • Properties not easily accessible by roads that meet local standards • Properties with known adverse environmental conditions (other than lead paint,

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	<p>radon or asbestos but only if such conditions do not present a health hazard, do not require remediation and have been contained per EPA guidelines)</p> <ul style="list-style-type: none"> • Properties subject to ground lease • Properties which are not in compliance with local zoning regulations • Properties with condition rating of C5/C6 or not lease ready • Properties with construction rating of Q6 • Properties >2 acres • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant • Single Room Occupancy (SROs) or former healthcare facilities • Tenants-in-Common projects (TICs) • Unique properties • Working farms, ranches or orchards • Unimproved land
<p>Accessory Dwelling Unit (ADU) Requirements</p>	<p>An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling.</p> <ul style="list-style-type: none"> • Rental income from the ADU is not permitted • Only one ADU is permitted on the parcel of the primary one-unit dwelling and it must: <ul style="list-style-type: none"> ◦ Be subordinate in size to the primary dwelling ◦ Have the following separate features from the primary dwelling: <ul style="list-style-type: none"> • Means of ingress/egress, • Kitchen with cabinets, a countertop, a sink with running water and a stove, • Sleeping area, • Bathing area, and • Bathroom facilities • Appraiser must confirm that subject property is a one-unit property with an ADU and the appraisal must contain comparable sales with ADUs in the subject property's market area. The appraisal report must demonstrate that the improvements are acceptable for the market. An aged settled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.
<p>Geographic Restrictions</p>	<ul style="list-style-type: none"> • Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted

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	<ul style="list-style-type: none"> • Properties located in Baltimore, MD, Philadelphia, PA and Newark, NJ are not permitted • Loans secured by properties that are geographically concentrated, including, but not limited to, properties located within the same ZIP code, census tract, street, subdivision, or planned community may present heightened risk and are subject to additional review. Any loan that may be part of a concentrated geographic exposure requires a pre-close SLV (single loan variance) and must be reviewed and approved prior to closing. Approval is not guaranteed and loans may be deemed ineligible for purchase 																														
<p>Condo Project Requirements</p>	<p>If the property is part of a condominium association, the originator must obtain a condominium questionnaire and insurance certificate from the condominium association to ensure that it meets the eligibility criteria below. Condominiums must either meet FNMA requirements (inclusive of limited reviews) or the following warrantable guidelines as applicable. If neither set of guidelines is met, refer to the non-warrantable guideline requirements below.</p> <table border="1" data-bbox="469 932 1549 1858"> <thead> <tr> <th colspan="2">Warrantable Condominiums</th> </tr> <tr> <th>Criteria</th> <th>Requirement</th> </tr> </thead> <tbody> <tr> <td>HOA Delinquency</td> <td>No more than 15% of tenants within an HOA may be delinquent more than 30 days</td> </tr> <tr> <td>Capital Reserves/ Special Assessments</td> <td>At least two years of planned capital reserves and any special assessments available for immediate use</td> </tr> <tr> <td>Conveyance</td> <td>At least 90% of units have been sold to owners</td> </tr> <tr> <td>Renter Concentration</td> <td>No more than 50% of total units may be renter occupied</td> </tr> <tr> <td>Ownership Concentration</td> <td>Projects with units owned by a single entity (individual, investor group, partnership or corporation) are ineligible when a single entity owns more than the following total number of units in the project: <ul style="list-style-type: none"> • Projects with 5-20 units: 2 units • Projects with ≥ 21 units: 20% </td> </tr> <tr> <td>Project Status</td> <td>Project is 100% complete and not subject to additional phasing</td> </tr> <tr> <td>Insurance</td> <td>The Condominium Association maintains a master insurance policy per FNMA guidelines</td> </tr> <tr> <td>Litigation</td> <td>Association is not named as party to any material litigation, defined as litigation that would not be covered under current insurance policy or any reputational litigation as determined by Silver Hill Capital</td> </tr> <tr> <td>Conveyance</td> <td>Control of HOA has been turned over to unit owners</td> </tr> <tr> <td>Commercial Component</td> <td>No more than 35% of total square footage may be used for commercial purposes</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Ownership Interests</td> <td>Units in the project must be held fee simple</td> </tr> <tr> <td>Use Restrictions</td> <td>The project must not restrict owner occupancy or the ability of new owners to rent units entirely.</td> </tr> </tbody> </table>	Warrantable Condominiums		Criteria	Requirement	HOA Delinquency	No more than 15% of tenants within an HOA may be delinquent more than 30 days	Capital Reserves/ Special Assessments	At least two years of planned capital reserves and any special assessments available for immediate use	Conveyance	At least 90% of units have been sold to owners	Renter Concentration	No more than 50% of total units may be renter occupied	Ownership Concentration	Projects with units owned by a single entity (individual, investor group, partnership or corporation) are ineligible when a single entity owns more than the following total number of units in the project: <ul style="list-style-type: none"> • Projects with 5-20 units: 2 units • Projects with ≥ 21 units: 20% 	Project Status	Project is 100% complete and not subject to additional phasing	Insurance	The Condominium Association maintains a master insurance policy per FNMA guidelines	Litigation	Association is not named as party to any material litigation, defined as litigation that would not be covered under current insurance policy or any reputational litigation as determined by Silver Hill Capital	Conveyance	Control of HOA has been turned over to unit owners	Commercial Component	No more than 35% of total square footage may be used for commercial purposes			Ownership Interests	Units in the project must be held fee simple	Use Restrictions	The project must not restrict owner occupancy or the ability of new owners to rent units entirely.
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	Significant Deferred Maintenance	Loans secured by units in condo and co-op projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible for purchase. These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation may include a satisfactory engineering or inspection report, certificate of occupancy, or other substantially similar documentation that shows the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns.
	Special Assessments	Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. The lender must document the loan file with the following: • the reason for the special assessment; • the total amount assessed and repayment terms; • documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and • borrower qualification with any outstanding special assessment payment. The lender is expected to obtain the financial documents necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is not eligible. Additionally, If the lender or appraiser is unable to determine that there is no adverse impact, the project is ineligible.

Non-Warrantable Condominiums * No more than one non-warrantable feature may be present per property	
Criteria	Requirement
LTV	Must reduce LTV from eligibility table by 10%
HOA Delinquency	No more than 15% of tenants within an HOA may be delinquent more than 30 days
Capital Reserves/ Special Assessments*	At least one year of planned capital reserves and any special assessments available for immediate use
Conveyance*	At least 30% of units have been sold to owners or under contract
Renter Concentration*	No more than 60% of total units may be renter occupied
Ownership Concentration*	Units owned by a single entity (individual, investor group, partnership or corporation) must not represent more than 30% of total units, or in projects with only 5 to 20 units, no more than 2 units
Project Status	Project is 100% complete and not subject to additional phasing
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	<p>Special Assessments</p>	<p>Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability.</p> <p>The lender must document the loan file with the following:</p> <ul style="list-style-type: none"> • the reason for the special assessment; • the total amount assessed and repayment terms; • documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and • Borrower qualification with any outstanding special assessment payment <p>The lender is expected to obtain the financial documents necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is not eligible. Additionally, If the lender or appraiser is unable to determine that there is no adverse impact, the project is ineligible.</p>
	<p>Litigation</p>	<p>Association is not named as party to any material litigation, defined as: Structural/Functional litigation against developer</p> <p>Non-material litigation (i.e., non-monetary neighbor disputes, localized single unit damage not impacting overall safety, structural soundness, habitability or functional use of the project, reasonably anticipated or known damages/legal expenses not expected to exceed 10% of project reserves) is permitted with adequate reserves</p> <p>Lender must provide verification of lawsuit amount and proof of sufficient insurance coverage.</p>
	<p>Conveyance</p>	<p>Control of HOA has been turned over to unit owners</p>
	<p>Commercial Component</p>	<p>No more than 35% of total square footage may be used for commercial purposes</p>
	<p>Miscellaneous</p>	<p>Newly converted Non-full gut rehab are ineligible. All units/properties must have a functioning kitchen</p>
<p>Appraisal Requirements</p>	<ul style="list-style-type: none"> • At minimum, a USPAP and FIRREA compliant interior appraisal from a state licensed appraiser who is independent of the originator and borrower/guarantor must be completed for the subject transaction. This appraisal must contain a customary independence certification by the appraiser. See below table for appraisal requirements based on loan amount. • Restricted appraisals are not permitted • Re-use of a prior appraisal is permitted only for a subsequent rate/term transaction. The borrower and lender must be the same • The subject property must be appraised within 90 days prior to the Note date • Appraisal must ensure that any and all additions or conversions have been completed according to code or lender must provide a recent certificate of occupancy validating code requirements have been met 	

- Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value
 - In no event, are appraisals ordered or selected by borrower/guarantors, or other lenders acceptable
 - Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan

Standard DSCR Appraisal Requirements Based on Loan Amount	
Loan Amount	Appraisal Requirements
≤ \$2,000,000	1 Full Appraisal
> \$2,000,000	2 Full Appraisals

- Cross collateralized transactions: Use the example below as a guide for calculating pro rata loan amounts to determine appraisal requirements

Assumption:

- Blanket loan secured by three properties
- Total blanket loan amount \$5,500,000

Step 1: Determine pro rata allocation for each property based on the value of each property used to calculate LTV. For property #2, the allocation percentage is calculated as \$3,000,000 divided by \$7,000,000 = 42.86%

Property	Appraised Value	Allocation Based on Total Appraised Values
1	\$2,000,000	28.57%
2	\$3,000,000	42.86%
3	\$2,000,000	28.57%
Total	\$7,000,000	100.00%

Step 2: Determine the pro rata loan amount for each property by multiplying the individual property’s pro rata allocation percentage times the total blanket loan amount. For property #2, the pro rata loan amount is calculated as \$5,500,000 X 42.86% = \$2,357,300. Property #2 would therefore require two appraisals

Properties #1 and #3 both have individual pro rata loan amounts of \$1,571,350 (\$5,500,000 X 28.57%). Properties #1 and #3 would both require one full appraisal

Valuation Criteria:

- The interior appraisals must be on the applicable form required by the Fannie Mae Guidelines for 1-4 family properties or a form approved by Silver Hill Capital. Currently those forms are FNMA 1004/FH 70 (1 Family), FNMA 1073/FH 465 (Individual Condo), or FNMA 1025/FH 72 (2-4 Family)
- Appraisal market rent estimates must be based on an annual lease for residential purposes and must be on the applicable form required by the Fannie Mae Guidelines or a form approved by Silver Hill Capital. Currently those forms are FNMA 1007 (1 Family) or FNMA 1025 (2-4 Family). Short term or specialized use rental rates are not acceptable for use as market rent
- Comparable sales should be selected from the same neighborhood when possible. Use of comparable sales that are located in competing neighborhoods is permissible to the extent that they may be the best comparables available and the most appropriate for the appraiser's analysis. If this situation arises, the appraiser must not expand the neighborhood boundaries just to encompass the comparables selected. The appraiser must indicate the comparables are from a competing neighborhood and address any differences that exist. The appraiser must also provide an explanation as to why they used the specific comparable sales in the appraisal report and include a discussion of how a competing neighborhood is comparable to the subject neighborhood. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser
- The originator must review the valuation to ensure that the value is well supported by the evidence in the appraisal or residential evaluation and by the comparable transactions.
 - The appraiser must inspect the exterior of the property and provide a photo.
 - Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required
- A market rent comparable schedule (FNMA 1007 or 1025) must be provided.
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- When two (2) appraisals are required, the following applies:
 - Appraisals must be completed by two (2) independent companies
 - The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion
 - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled
 - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be

	<p>for the appraisal that the value of the transaction is being based upon</p> <p><u>Third-Party Review</u></p> <ul style="list-style-type: none"> • Collateral Desktop Analysis (CDA) ordered from Clear Capital, a Consolidated Collateral Analysis (CCA XP) ordered from Consolidated Analytics or a Collateral Underwriter (CU) score of 2.5 or less is required to support the value of the appraisal. The Seller is responsible for ordering the CDA or CCA XP if needed. <ul style="list-style-type: none"> ◦ If the CDA/CCA XP returns a value that is "Indeterminate" then one (1) of the following requirements must be met: <ul style="list-style-type: none"> ▪ A Clear Capital or Consolidated Analytics BPO (Broker Price Opinion) and Value Reconciliation of the three Reports is required. The Value Reconciliation will be used for the appraised value of the property. ▪ A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. ◦ If the CDA/CCA XP indicates a lower value than the appraised value that exceeds a 10% tolerance, the lower value of the two must be used. • If two (2) full appraisals are provided on a standard DSCR loan, a CDA/CCA XP is not required <p><u>Appraisal Transfers</u></p> <ul style="list-style-type: none"> • Appraisal transfers are permitted. All appraisal transfers must meet the following requirements: <ul style="list-style-type: none"> ◦ Appraisal must be in the name of the transferring lender ◦ Transfer letter from transferring lender <ul style="list-style-type: none"> ▪ Must be on company letterhead ▪ Borrower name and address must be included ▪ Must be executed by an authorized member of the company. The printed name and signature of seller's representative, title and date is required. Appraisal transfer letters signed by loan officers or loan processors will not be acceptable ◦ Statement from the transferring lender that the appraisal was prepared in compliance with Appraisal Independence Requirements ◦ Paid invoice ◦ Proof that original appraisal report was provided to the borrower ◦ CDA is required. A CU score is not permitted to be used to meet appraisal review requirements
<p>Property Flips</p>	<p>A property is considered a "flip" if either of the following are true:</p> <ul style="list-style-type: none"> • The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement

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	<ul style="list-style-type: none"> The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement <p>If the property is a “flip” as defined above, the following additional requirements apply:</p> <ul style="list-style-type: none"> A second appraisal must be obtained and a copy of the second appraisal must be provided to the borrower The second appraisal must be dated prior to the loan consummation/note date. The property Seller on the purchase contract must be the owner of record Increases in value should be documented with commentary from the appraiser and recent comparable sales Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months Non-Arm’s Length transactions are not permitted. Lender is responsible for reviewing chain of title. Particular due diligence should be exercised in cases of entity to entity transfers to ensure no red flags are present The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in-lieu
<p>Rent Loss Insurance</p>	<ul style="list-style-type: none"> Proof of rent loss insurance for the subject property is required. This is in addition to all other insurance requirements per the Special Products Selling Guide
<p>Disaster Area Requirements</p>	<ul style="list-style-type: none"> Refer to the Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in: <ul style="list-style-type: none"> FEMA Major Disaster Declarations with designated counties eligible for individual assistance (IA); Areas where FEMA has not made a disaster declaration, but Silver Hill Capital has determined that there may be an increased risk of loss due to a disaster; Areas where the Seller has reason to believe that a property might have been damaged in a disaster Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster
<p>Escrows</p>	<ul style="list-style-type: none"> Escrow accounts are required for initial and monthly escrow for annual taxes, hazard insurance, flood insurance (if applicable), and HO-6 insurance coverage (if applicable), unless otherwise specified by applicable state law or an escrow

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	waiver has been elected (See Escrow Waiver section). One twelfth (1/12) of the annual premiums are to be paid with the principal and interest payments
Escrow Waivers	<ul style="list-style-type: none"> • Escrow waivers are permitted and must meet the below criteria: <ul style="list-style-type: none"> ◦ Minimum 720 FICO ◦ Minimum 12 month of reserves (based on PITIA or ITIA, as applicable) ◦ Pricing adjustment will be applied ◦ Present taxes and insurance payments must be current ◦ Flood insurance not eligible for escrow waiver
Escrow Holdbacks	Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase
Assumability	Loans cannot be assumable
Pre-Payment Penalties	<ul style="list-style-type: none"> • Prepayment penalties are not permitted in New Mexico, Minnesota, District of Columbia or Alaska • Blanket mortgages: If included properties are located in multiple states, follow the most conservative state PPP restriction • Prepayment penalties may be assessed as noted below for loans that prepay between the loan origination date and the selected PPP option in all states except those listed in Appendix A. See Appendix A for additional state specific requirements • Prepayment penalties apply to all prepayments of principal, whether partial or full, during the prepayment period subject to state PPP restrictions • Prepayment Penalty Calculation (Fixed or Declining) <ul style="list-style-type: none"> ◦ Partial Prepayment: Use the applicable pre-payment penalty percentage multiplied by the amount of prepaid principal ◦ Full Prepayment: Use the applicable pre-payment penalty percentage multiplied by the unpaid principal balance ◦ Six (6) Month's Interest (available with the 3-year PPP option): Payment of six (6) months' advance interest, at the contract rate of interest then in effect, on the amount prepaid in any 12-month period in excess of twenty percent (20%) of the original principal amount of the loan • 7 year PPP options are not available in the following states: LA, MI, MS, MO, OH (for 1-2 units), and RI • When closing a loan with a pre-payment penalty, if the Note states that there is no PPP and does not contain language that references a separate PPP Rider/Addendum then the PPP Rider/Addendum must explicitly state that it supersedes or modifies the Note

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Prepayment Penalty by Year							
	Year 0-1	Year 1-2	Year 2-3	Year 3-4	Year 4-5	Year 5-6	Year 6-7
7-year option(s)	5.00%	5.00%	4.00%	4.00%	3.00%	2.00%	1.00%
5-year option(s)	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%	0.00%
	5.00%	4.00%	3.00%	2.00%	1.00%	0.00%	0.00%
4-year option(s)	5.00%	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%
	4.00%	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%
3-year option(s)	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%
	3.00%	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%
	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%
	6 month's interest if pay down > 20 %	6 month's interest if pay down > 20 %	6 month's interest if pay down > 20 %	0.00%	0.00%	0.00%	0.00%
2-year option (s)	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1-year option(s)	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
No Prepay Penalty	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Special Restrictions

Maximum Financed Silver Hill Capital Exposure

Borrower/guarantor(s)/entities are limited to a maximum \$6,250,000 in aggregate with Silver Hill Capital

Properties Listed for Sale

- Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.
 - If a property is discovered to be for sale prior to purchase, the loan will be deemed ineligible for purchase
- Properties listed for sale within 6 months of the application date are acceptable if the following requirements are met:
 - Documentation provided to show cancellation of listing
 - The value will be based on the lesser of the lowest list price or appraised value

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	<ul style="list-style-type: none">o Must include a minimum pre-payment penalty of two or more years (if a pre-payment penalty is not permitted due to state statues, transaction would be ineligible until greater than six months since the cancellation of the listing)
Additional Requirements	
Purchase approval	All loan purchases are contingent on Silver Hill Capital's satisfactory review of the loan, mutual execution of the purchase advice and the lender being in good standing at the time of loan purchase. Silver Hill Capital reserves the right to decline to purchase any loan for any reason
Interest Rate Restrictions	Interest rates must comply with all state usury law requirements
Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated within this product matrix.	

Appendix A

State Specific Pre-payment Penalty Requirements

State	PPP Permitted	Requirement
Alaska	No	No prepayment penalty shall be permitted
District of Columbia	No	No prepayment penalty shall be permitted
Illinois	Yes with conditions	Prepayment penalty is not allowed when the rate of interest exceeds an annual percentage rate of 8% (APR)
Louisiana	Yes with conditions	A mortgage lender may contract for and receive a prepayment penalty in an amount not to exceed: (a) Five percent of the unpaid principal balance if the loan is prepaid in full during the first year of its term. (b) Four percent of the unpaid principal balance if the loan is prepaid in full during the second year of its term. (c) Three percent of the unpaid principal balance if the loan is prepaid in full during the third year of its term. (d) Two percent of the unpaid principal balance if the loan is prepaid in full during the fourth year of its term. (e) One percent of the unpaid principal balance if the loan is prepaid in full during the fifth year of its term.
Michigan	Yes with conditions	Max 3YR at max 1% for SFR No restrictions for 2-4 units
Minnesota	No	No prepayment penalty shall be permitted
Mississippi	Yes with conditions	(a) Five percent (5%) of the unpaid principal balance if prepaid during the first year; (b) Four percent (4%) of the unpaid principal balance if prepaid during the second year; (c) Three percent (3%) of the unpaid principal balance if prepaid during the third year; (d) Two percent (2%) of the unpaid principal balance if prepaid during the fourth year; and (e) One percent (1%) of the unpaid principal balance if prepaid during the fifth year • No restrictions for 2-4 units
New Jersey	Yes with conditions	Permitted only when the borrowing entity is either an S-Corporation or a C-Corporation. Pre-payment penalties cannot be charged to LLC's or natural person borrowers.
New Mexico	No	No prepayment penalty shall be permitted

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North Carolina	Yes with conditions	For loans of \$100,000 or less, max 2% repayment fee of the outstanding balance at any time within the first 3 years after the first payment of principal. After the first three years, the lender may not charge a prepayment fee For loans of \$100,001 or more, no restrictions
Ohio	Yes with conditions	1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount \geq \$112,957; No prepayment penalty permitted if loan amount $<$ \$112,957 (only allowed within first 5 years 3-4 unit : prepayment penalty permitted without restriction except if the loan amount falls below \$112,957 then no PPP
Pennsylvania	Yes with conditions	1-2 unit: only if loan balance $>$ \$319,777 No prepayment penalty permitted if balance \leq \$319,777 3-4 unit: prepayment penalty allowed without restriction
Rhode Island	Yes with conditions	Prepayment penalty max 2% of balance
Texas	Yes with conditions	Property cannot be owner-occupied
Virginia	Yes with conditions	Loans $<$ \$75,000, max 1% prepayment fee of unpaid principal balance. Loans \geq \$75,000, no prepayment restrictions

Version Control

Author	Section	Date	Update
DH	Debt Service Coverage Ratio (DSCR)	01.24.24	Added <ul style="list-style-type: none"> In cases where the purchase contract clearly states that the existing lease agreement will be assigned to the borrower at closing, then the gross rent used in the DSCR calculation is the lesser of the lease agreement or the market rent (from appraisal form 1007/1025). If the lease agreement is greater than the market rent but is \leq 10% over the market rent, then the lease amount can be used for qualifying, however the amount used to qualify cannot exceed 10% over the market rent
DH	Appraisal Requirements	01.24.24	<ul style="list-style-type: none"> Added CCA XP from Consolidated Analytics as an acceptable third-party vendor for appraisal review
DH	Pre-payment Penalties	01.24.24	Added <ul style="list-style-type: none"> When closing a loan with a pre-payment penalty, if the Note states that there is no PPP and does not contain language that references a separate PPP Rider/Addendum then the PPP Rider/Addendum must explicitly state that it supersedes or modifies the Note
DH	Cash-Out Transactions	02.14.24	Added <ul style="list-style-type: none"> All documentation in file must support and not conflict with the Business Purpose and Non-Owner Occupancy Affidavit
DH	Appendix A State Specific Pre-payment Penalty Requirements	02.14.24	<ul style="list-style-type: none"> Updated PPPs for PA for 2024
DH	Eligibility	04.17.24	Added <ul style="list-style-type: none"> Inexperienced investors must currently own a primary residence for at least one year
DH	Housing History	04.17.24	Added <ul style="list-style-type: none"> Experienced borrowers with no primary housing history (rental or mortgage) are eligible provided they meet housing history requirements on the subject property(s)

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DH	Ineligible Property Types	04.17.24	Added <ul style="list-style-type: none"> Unimproved land
DH	Loan Purpose	05.08.24	Added <ul style="list-style-type: none"> Silver Hill Capital reserves the right to decline purchase of any loan that may indicate the property is not intended exclusively for business purposes Some common occupancy red flags include but are not limited to: <ul style="list-style-type: none"> Borrower(s) are currently living rent free or renting their primary residence Subject property could reasonably function as a second home Borrower or other documents show subject property as current primary residence The value of the subject property significantly exceeds the value of the borrower's primary residence
DH	Fraud Report/Background Check	05.08.24	Added <ul style="list-style-type: none"> A judgement and lien search must be included. Any material judgements/liens shown on background reporting may have proof of satisfaction requested
DH	Cash-Out Transactions	06.26.24	Removed <u>LTV Restrictions</u> <ul style="list-style-type: none"> <u>Standard loans:</u> <ul style="list-style-type: none"> If owned ≤ 12 months: <ul style="list-style-type: none"> Use lower of Cost Basis (defined herein) or appraised value to calculate LTV, or If Cost Basis exceeds the purchase price by ≥ 120% then the appraised value can be used to calculate the LTV but the total loan amount will be limited to no more than the Cost Basis If owned > 12 months: Use appraised value <u>Blanket loans:</u> <ul style="list-style-type: none"> If the average ownership of all properties included in the loan amount is less than 12 months use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV If the average ownership of all properties included in the blanket loan is greater than 12 months, use appraised value for all properties to calculate LTV Added <u>LTV Restrictions</u> <ul style="list-style-type: none"> <u>Standard loans:</u> <ul style="list-style-type: none"> If owned ≤ 6 months: <ul style="list-style-type: none"> Use lower of Cost Basis (defined herein) or appraised value to calculate LTV, or If Cost Basis exceeds the purchase price by ≥ 120% then the appraised value can be used to calculate the LTV but the total loan amount will be limited to no more than the Cost Basis If owned > 6 months: Use appraised value <u>Blanket loans:</u> <ul style="list-style-type: none"> If the average ownership of all properties included in the loan amount is less than 6 months use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV If the average ownership of all properties included in the blanket loan is greater than 6 months, use appraised value for all properties to calculate LTV
DH	Appendix A	06.26.24	Removed <u>Ohio</u> 1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >=\$107,633; No prepayment penalty permitted if loan amount < \$107,633 3-4 unit : prepayment penalty permitted without restriction Added <u>Ohio</u> 1-2 unit: maximum 1% within 5 years of execution date of the mortgage only if loan amount >=\$110,223; No prepayment penalty permitted if loan amount < \$110,223 (only allowed within first 5 years) 3-4 unit : prepayment penalty permitted without restriction except if loan amount falls below \$110,223, then no PPP

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DH	Eligibility	09.18.24	Removed reference to Borrower Residency & Eligibility Guide
DH	Loan Documentation Requirements	10.09.24	Removed <ul style="list-style-type: none"> If utilizing the FNMA/FHLMC residential document set (not eligible for blanket mortgages), you must also complete the Business Loan Rider. Business Loan Rider can be found on the Correspondent Portal
DH	Eligibility	10.09.24	Added <ul style="list-style-type: none"> Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements)
DH	Purchase Transaction	11.13.24	Added <ul style="list-style-type: none"> Purchase Transaction section and clarified that assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or incorporated into the LTV/CLTV calculation
DH	Non-Arm's Length Transactions	11.13.24	Added <ul style="list-style-type: none"> If the seller is a relative, they must also document the most recent 12 months payment history on the property's existing mortgage, if any Foreclosure bailouts are not allowed. Payoff statement and Verification of Mortgage (VOM) on subject required as verification
DH	Appraisal Requirements	12.11.24	<ul style="list-style-type: none"> Added clarity and an example to demonstrate calculating pro rata loan amounts to determine appraisal requirements
DH	Pre-Payment Penalties	02.19.25	Added <ul style="list-style-type: none"> Prepayment penalties apply to all prepayments of principal, whether partial or full, during the prepayment period subject to state PPP restrictions Prepayment Penalty Calculation (Fixed or Declining) <ul style="list-style-type: none"> Partial Prepayment: Use the applicable pre-payment penalty percentage multiplied by the amount of prepaid principal Full Prepayment: Use the applicable pre-payment penalty percentage multiplied by the unpaid principal balance Six (6) Month's Interest (available with the 3-year PPP option): Payment of six (6) months' advance interest, at the contract rate of interest then in effect, on the amount prepaid in any 12-month period in excess of twenty percent (20%) of the original principal amount of the loan
DH	Appendix A	02.19.25	<ul style="list-style-type: none"> Updated PPPs for PA and OH for 2025
DH	Eligibility	04.09.25	Removed <u>Experienced investors are defined as:</u> <ul style="list-style-type: none"> Borrower/primary guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent 3 years, or Borrower/primary guarantor must have had ownership in three or more properties over the past 24 months Added <u>Experienced investors are defined as:</u> <ul style="list-style-type: none"> Borrower and at least one Guarantor (if applicable) must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent 3 years, or Borrower and at least one Guarantor (if applicable) must have had ownership in three or more properties over the past 24 months
DH	Geographic Restrictions	06.18.25	Added Properties located in Baltimore, Maryland are not permitted
DH	Appendix A New Jersey	07.23.25	Removed PPP permitted only for business entity borrowers Added

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			Permitted only when the borrowing entity is either an S-Corporation or a C-Corporation.
DH	Geographic Restrictions	09.10.25	Added Properties located in Philadelphia, Pa and Newark, NJ are not permitted
DH	Appendix A	09.24.25	Added Prepayment penalties in the District of Columbia are not permitted
AM	Appendix A	11.19.25	State specific updates made to the following states: <ul style="list-style-type: none"> • Illinois • Michigan • Mississippi • New Jersey • North Carolina • Virginia
DH	Housing History	02.18.26	Added <ul style="list-style-type: none"> • A 12-month rental history reflecting a maximum 1x30x12 is required when the borrower is renting their current primary residence. The following documents are required: <ul style="list-style-type: none"> o Verification of rent (VOR): <ul style="list-style-type: none"> ▪ 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.)
DH	Reserves	02.18.26	Removed <ul style="list-style-type: none"> • DSCR ≥ 1.0: 3 months PITIA for subject property • DSCR < 1.0: 6 months PITIA for subject property Added <ul style="list-style-type: none"> • DSCR ≥ 1.0: 6 months PITIA for subject property • DSCR < 1.0: 9 months PITIA for subject property • Inexperienced Investor: Minimum 12 months PITIA for subject property • Simultaneous Closings: Total reserve requirements are cumulative and are the sum of the minimum reserve requirements for each closed loan
DH	Condo Project Requirements	02.18.26	Removed No more than 50% of total units may be renter occupied unless borrower/guarantor owns 50% or more of total units or controls the association Added No more than 50% of total units may be renter occupied
DH	Geographic Restrictions	02.18.26	Added <ul style="list-style-type: none"> • Loans secured by properties that are geographically concentrated, including, but not limited to, properties located within the same ZIP code, census tract, street, subdivision, or planned community may present heightened risk and are subject to additional review. Any loan that may be part of a concentrated geographic exposure requires a pre-close SLV (single loan variance) and must be reviewed and approved prior to closing. Approval is not guaranteed and loans may be deemed ineligible for purchase