AN AFFILIATE OF APOLLO

Correspondent Underwriting Guidelines

ARTEMIS DSCR

Effective with locks taken on or after March 16, 2026 - subject to change without notice

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SECTION 1: ELIGIBILITY GRID

Artemis DSCR

LTV/CLTV MATRIX – Investment Property

DSCR >= 1.00			
Loan Amount	Credit Score	Purchase / Rate & Term	Cash-out
≤ $500,000	640	75%	70%
≤ $1,500,000	700	80%*	75%
	660	75%	70%
≤ $2.000,000	700	75%	70%
	660	70%	65%
≤ $2,500,000	700	70%	65%
	660	65%	60%
≤ $3,000,000	720	70%	65%
	700	65%	60%
	660	60%	60%

*FL condos Max 75% LTV

DSCR >= 0.8 < 1.00			
Loan Amount	Credit Score	Purchase / Rate & Term	Cash-out
≤ $2,000,000	700	70%	N/A

Reserves	
≤ $1,500,000	3 months
> $1,500,000	6 months
> $2,000,000	9 months
Novice ≤ $2M	8 months

Reserves can come from loan proceeds

Any amount over a whole number rounds up to the next tenth (e.g., 80.0001 → 80.1)

SECTION 2: TRANSACTION

2.1 DEBT SERVICE COVERAGE RATIO (DSCR)

Allowed on investment properties only.

Borrower must review and sign:

- Borrower Certification of Business Purpose AND
- Occupancy Certification
- Personal Guarantee when vesting in an entity

Gross rents are used in the DSCR calculation. Gross rents are the lower of actual rents from lease agreements or market rents based on a 1007 or 1025 in the case of a multi-family

2.2 COMPLIANCE AGREEMENT/ ERROR AND OMISSIONS

Compliance Agreement is required to be signed by borrower(s) at closing. The language in the agreement must be consistent with the attached in Exhibit A.

2.3 LOAN TERMS AND QUALIFYING PAYMENTS

2.3.1 AVAILABLE LOAN TERMS

- 15-Year Fixed
- 30-Year Fixed
- 40-Year Fixed
- 30-Year Fixed / 10-Year I/O (Minimum FICO 660 required)
- 40-Year Fixed / 10-Year I/O (Minimum FICO 660 required)

2.3.2 I/O LOANS QUALIFY BASED ON

All loan programs, whether Fixed or Interest Only (I/O), qualify at Initial Payment

2.4 PREPAYMENT PENALTY STRUCTURE OPTIONS

There are 3 prepayment penalty options available

Follow state specific regulations for all Prepayment Penalty restrictions.

- Six (6) months of interest – The prepayment charge will be equal to six (6) months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale, refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period. 1-, 2-, 3-, 4-, and 5-year term available.
- Fixed 5% percent - The prepayment charge will be equal to 5% and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance. 1-, 2-, 3-, 4-, and 5-year term available.
- Step Down Prepay Types - For example: (5%/4%/3%/3%/3%), (5%/4%/3%), or (5%/4%/3%/2%/1%) – The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

Prepayment Penalties are not allowed in the following states:

- Alaska
- DC
- Kansas
- Michigan
- Minnesota
- New Mexico
- Rhode Island
- Vermont

Prepayment Penalties are allowed in the following states with restrictions:

- Illinois and New Jersey: Allowed only if closing in C-Corp or S-Corp
- Louisiana: Allowed only on 6 months of Interest or Fixed 5% Prepayment Penalty Structures
- Ohio: Allowed only on 3 – 4 unit properties
- Pennsylvania: Allowed only for 1 – 4 unit properties with loan amounts > $$329,411.

2.5 ESCROW HOLDBACKS

Not allowed

2.6 MINIMUM LOAN AMOUNT

- $100,000

2.7 LTV RESTRICTIONS

- Florida condos max 75% LTV

2.8 GEOGRAPHIC RESTRICTIONS

- Baltimore City, Maryland and Philadelphia County, Pennsylvania are not eligible for purchase
- Non-Delegated NY DSCR loans are ineligible. NY DSCR Delegated loans are eligible for purchase
- Brooklyn NY, Rockland County NY, and Orange County NY are ineligible for purchase

2.9 TRANSACTION TYPES

2.9.1 PURCHASE

Borrower contribution

- A minimum 10% borrower contribution is required
- Flips allowed – see guidance in appraisal section

Interested Party Contributions (IPC)

- 6% allowed for all LTV's

Note: A seller credit with a concurrent sales price increase is allowed, however, the seller credit amount will be deducted from the sales price for LTV purposes.

2.9.2 ENTITY TO ENTITY TRANSACTION

When both buyer and seller are entities, seller entity documents sufficient to show ownership must be provided in order to determine there is no mutual ownership.

2.9.3 RATE & TERM

- Pay off existing first mortgage and any subordinate loan used for the acquisition of the property
- Pay off any subordinate loan that was not used for the acquisition of the property when:
  - Closed end second lien with at least 12 months seasoning
  - HELOC with at least 12 months seasoning and total draws over the past 12 months are less than $5,000
- Buy out of a co-owner pursuant to an agreement
- Pay off an installment land contract executed more than 12 months from the application date

Important Rate & Term Notes:

- Cashback may not exceed the lesser of 2% or $5,000
- LTV/CLTV based on current appraised value
- Listed properties must document that the listing has been cancelled

2.9.4 CASH OUT

Max Cash Out

- > 65% LTV up to $ 750,000 allowed
- <= 65% LTV up to $ 1,500,000 allowed

The UPB of an unseasoned 2nd being retired is included in the Max Equity Withdrawal calculation.
Equity withdrawal limitations do not apply to delayed financing transactions.

Purpose of cash out:
Cash out can only be used for the business purpose of owning rental property: acquire, manage, and improve real estate.

When a borrower is required to pay off a non-subject property related lien, judgment, IRS or state tax obligation, etc., funds from the subject refinance may be used as an accommodation, provided the following are met:

- The borrower has documented sufficient liquid assets to cover the obligation in question AND
- The purpose of the subject cash out refinance is clear and is an eligible purpose

2.10 CASH OUT SEASONING AND VALUE DETERMINATION

Properties owned 6 months or more are eligible for cash out. 6 months ownership seasoning is determined by the acquisition date and our note date.

- Property is owned ≥ 6 months - use the current appraised value
- Cash-Out when property is owned < 6 months is only allowed under the following conditions
  - Borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership
  - Delayed Financing

- For properties currently vested in an entity, time in the entity counts towards seasoning provided the borrower(s) are at least 50% owners of the entity

2.11 REQUIREMENTS FOR DELAYED FINANCING

1. Max LTV/CLTV is based on the lower of the current appraised value or purchase price plus documented improvements
2. Document property was purchased with cash by providing the final closing document for the transaction (ALTA) showing no lender OR provide a copy of the mortgage showing a term of 24 months or less
3. Document source of purchase funds

2.12 RECENTLY LISTED PROPERTIES

Rate & Term or Cash Out
Recently listed properties are allowed via exception under the terms listed below. Deviations to the terms listed below are not allowed.

Properties listed in the 6 months prior to the application date are subject to the following:

- Any active listing must be cancelled prior to Seller closing the loan. Documentation from the appropriate multiple listing service must be provided: emails, LOEs, online searches, etc., are not sufficient
- A prepayment penalty (PPP) is required. PPP must be 3-year, or max allowed per state law if 3-year is not allowed. In states where PPP is prohibited, the PPP is not required
- Value determination for pricing and eligibility will be based on the lesser of the lowest 12 month listed price or the current appraised value
- If the transaction is Cash Out, a 10% LTV reduction from max LTV is required
- Vacant property is not allowed. If tenant occupancy is not overwhelmingly evident in the appraisal photos, then the transaction is ineligible. Follow up documentation to prove occupancy will not be reviewed. One vacant unit ok on 3–4-unit properties
- Max pricing is par

2.13 MAX EXPOSURE TO NEWFI

- DSCR >= 1.0 : 10 loans or $5,000,000 UPB
- DSCR >=0.80 < 1.0 : 2 loans or $3,000,000 UPB

The max exposure rule is not automatic. The loans should not be secured to properties in the same micro-geographic area, for example, same block, subdivision, PUD project, or condo project.

Each max exposure scenario is different and must be evaluated on its own merits. There are many factors in determining the risk associated with multi-loan borrowers, here are a few, but not all:

- Are the properties new builds or established housing in seasoned communities?
- Are the properties fully rented?
- Are the rents Long Term Rents (LTR) or Short Term Rents (STR)?
- Are they cash out transactions?
- Are they max LTV?
- Are the locations in high demand or low demand markets?
- Consider the borrower’s credit quality and post close liquidity
- Determine current secondary market acceptance of property location and characteristics
- Is the borrower considered high risk? For example, Developer/Builder

2.14 NON-ARM’S LENGTH (NAL)

A NAL occurs when the borrower has a direct relationship or business affiliation with the builder, developer, or seller. Examples are family sales, employer/employee, property in a trust. Landlord/Tenant transaction does not in itself create an NAL.

If the seller of a property is a business-entity, then it is necessary to confirm that the buyer is not an owner of the seller-entity.

A NAL is not intended to bail out a family member, a complete review of the Title Prelim/Commitment as well as the seller's mortgage payment history may be required.

2.15 INTERESTED PARTY TRANSACTION (IPT)

An IPT occurs when the borrower has an affiliation or relationship with the mortgage broker, loan officer, real estate agent, or any other interested party to the transaction, extra due diligence is required when an PT exists.

The seller's real estate agent may not act as the loan officer for the subject property.

2.16 NAL AND IPT RESTRICTIONS

- Maximum LTV is 70%
- For-Sale-By-Owner (FSBO) must be arm's length, unless family transaction
- Employer to employee sale is not allowed
- Property trades between a buyer and a seller are not allowed
- Extra diligence and transaction review must be performed

2.17 ELIGIBLE NAL AND IPT TRANSACTION (NOT SUBJECT TO RESTRICTIONS)

- Borrower is representing themselves as a real estate agent
- Borrower is employed by the Seller
- Borrower is related to Realtor and/or loan officer who is representing them only
- Borrower earned commission is treated like seasoned funds, and may be used for down payment, closing costs or reserves
- Seller representing themselves in the real estate transaction
- Purchase between family members is allowed, however, any indication of a family bailout will require further documentation to determine if transaction is acceptable

SECTION 3: BORROWER

3.1 ELIGIBLE BORROWERS

3.1.1 US CITIZEN

No restrictions

3.1.2 PERMANENT RESIDENT ALIEN

No restrictions

Provide one of the following:

- Alien Registration Card I-151 (Green Card)
- Alien Registration Card I-551 (Resident Alien Card/Green Card) that does not have an expiration date
- Alien Registration Card I-551 (Conditional Resident Alien Card) that has an expiration date as well as a copy of the filed INS Form I-751 (petition to remove conditions)

- Non-expired foreign passport that has a non-expired stamp (valid for at least three (3) years) must contain the following language: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until <<Date>> "Employment authorized"

3.1.3 NON-PERMANENT RESIDENT ALIEN

Standard

- Visa types allowed E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, L-2, NATO, O-1, R-1, TN NAFTA
- Visas must be current and have at least 6 months remaining from the close date, if less than 6 months provide evidence that extension has been requested

Non-standard

Any residency status that meets FNMA guidelines is allowed provided the requirements listed below are met

- Visas/EAD must be current and have at least 6 months remaining from the close date, if less than 6 months provide evidence that extension has been requested
- Must have a min of 2 years residency history in the US
- Must have a 2-year US credit history and must meet program credit profile, the 2-year history is measured from note date

3.1.4 FOREIGN NATIONAL

Not Allowed

Foreign Nationals are borrowers without permanent or non-permanent resident alien status

3.2 ENTITY VESTING

Entity vesting is allowed

A personal guarantee must be signed by the borrower at closing and the following are required:

- Entity type is LLC, LLP or Corporation
- Borrower(s) must represent a minimum of 50% of the entity ownership
- 4 borrowers maximum
- U.S. domiciled entities only
- Purpose of entity must be for real estate acquisition

Documentation verifying the following must be provided.

For LLC and LLP:

- Verify entity membership with formation documents or other entity documentation
- Provide federal licensing Entity Identification Number (EIN)
- Show the entity is in good standing

For Corporations:

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

3.3 MULTIPLE PROPERTIES OWNED

No limit to number of properties owned

3.4 INELIGIBLE BORROWER

- Irrevocable trust / Land trust / Blind trust
- Foreign Nationals or Borrowers with diplomatic immunity
- Not for profit entity
- Any material parties to the transaction on HUD's Limited Denial of Participation (LDP) or General Services Administration (GSA) or any other exclusionary list
- Borrower who is also the Developer/Builder of subject property development for projects of 5 or more units

3.5 INELIGIBLE TENANT

Family member or other related individual to borrower

SECTION 4: CREDIT

4.1 CREDIT REPORT

- A credit report is required for each borrower
- The report should provide merged data from the three major bureaus, Experian, Equifax, and Transunion
- A minimum of 2 credit scores are required
- One frozen bureau is acceptable

4.2 CREDIT SCORE

- Use the lower of 2 scores or middle of 3 credit scores
- For loans with multiple borrowers use the lowest middle score

4.3 AGE OF CREDIT DOCS

All credit doc expiration dates are measured to the Note Date

- Appraisal and Prelim/Title work are valid for 120 days
- Credit Report and Assets are valid for 120 days
- Crypto based account documents valid for 60 days

4.4 FRAUD CHECK

Seller to provide a fraud report on all loans, Seller is responsible for clearing all report findings.

4.5 LDP/GSA EXCLUSIONARY REPORT

Seller to provide LDP/GSA exclusionary report on all parties to the transaction.

4.6 MORTGAGE/RENTAL VERIFICATION

4.6.1 INSTITUTIONAL LENDER/ LANDLORD

Payment history may be documented as follows:

- 12 months mortgage payment history on the credit report OR
- 12 months canceled checks / bank statements OR
- Verification of Mortgage (VOM)/ Verification of Rent (VOR)

4.6.2 NON-INSTITUTIONAL LENDER/ LANDLORD

- Payments must be verified with either canceled checks or bank statements AND
- A copy of the note or lease is required to verify payment amount and due date

4.7 CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

No review or payoff required

4.8 JUDGMENTS OR LIENS

All open judgments, garnishments, and liens must be paid at or prior to closing

- Cannot be paid with loan proceeds unless specifically tied to subject property
- See use of refinance funds in Cash Out Section

4.9 INCOME TAX LIENS

All state, federal, and local liens must be paid and removed from title at closing or sooner.

- Cannot be paid with loan proceeds unless specifically tied to subject property, for example:
    - Delinquent Real Estate Tax Lien
    - Mechanics Lien related to work done on subject property
- See use of refinance funds in Cash Out Section

4.10 FORBEARANCE

Forbearance allows borrowers experiencing financial hardship to pause making mortgage payments. A recent forbearance, due to COVID-19 or Natural Disaster, may be eligible based upon the following:

1. Borrowers who entered forbearance but continued to make timely payments and remained employed without income disruption, are eligible without any other requirements
2. Borrowers who participated in forbearance and missed payments have two options:
    - Pay loan current by making all missed payments from borrower verified funds **OR**
    - Make 3 monthly payments in lender modification plan after exiting forbearance
        - Third payment must be made prior to note date
        - Evidence the borrower has exited forbearance or entered the modification plan is required - This can typically be determined from the monthly statement or lender modification agreement or correspondence; however, any definitive means is acceptable

If either of the two options are met, there are no other restrictions.

Payments must be documented by canceled checks or bank statements, or on monthly mortgage statements - Credit supplements are not acceptable.

This forbearance guidance applies to Borrower's primary residence and subject property only.

Modifications or deferred balances resulting from Covid-19 forbearance are not considered as housing events

4.11 TRADELINES / CREDIT REVIEW

If the borrower has 3 credit scores, the minimum tradeline requirement is met. If the borrower has only 2 scores, 1 of the following 3 options must be met.

Note: if the credit scores are derived from thin credit, for example authorized user accounts or new accounts with minimal usage, the borrower will need to qualify with 1 of the 3 options below.

All borrowers need to meet either the 3 credit score threshold or meet one of the minimum tradeline requirements listed below.

1. 3 of 12: At least 3 tradelines reporting for a minimum of 12 months, with all 3 having activity in the last 12 months, accounts can be open or closed
2. 2 for 24: At least 2 tradelines reporting for a minimum of 24 months, with both having activity in the last 12 months, accounts can be open or closed
3. 8 for 8: No fewer than 8 tradelines are reporting, 1 of which must be a mortgage or a rental history
    - At least 1 tradeline has been open and reporting for a minimum of 12 months
    - The borrower has an established credit history for at least 8 years

Acceptable verification of mortgage or rent payments not listed on the credit report can be counted in the 3 tradeline options above.

The following may not be considered as tradelines:

- Non-traditional credit as defined by FNMA
- Liabilities in deferment
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs / Collection accounts
- Foreclosures / Deed-In-Lieu / Short Sales
- Self-reported tradelines

4.12 CREDIT REVIEW

- Files where a borrower has recent and excessive mortgage lates which are outside of the most recent 12 months are evaluated case by case for acceptability
- Review of inquiries is not required

4.13 HOUSING HISTORY

Waiting period requirements listed below are measured from event date to note date. Event date is the day and month the payment was due. Example: May 1 payment was paid June 6th, event date is May 1.

The mortgage payment history for the primary residence, the subject property on a refinance, and any other mortgage on the credit report are all reviewed with the following restrictions listed below:

- Max 1X30X12 on mortgage/rental debt for primary residence and subject property allowed
- Max 0X30X12 when either or both of the following are present:
    - DSCR ≥ 0.80 < 1.00
    - Credit scores below 660
- Borrowers living “rent free” in a home they do not own or rent, must provide supporting documentation: property profile and LOE from the owner or lessee

Note: For the review of mortgages on the credit report which are not attached to the primary residence or the subject property, the review is limited to what’s reported on the credit report. No updates, or pay-history post credit report effective date, are required.

4.14 MISSED BALLOON OR SHORT TERM NOTE DUE DATE

A refinance transaction where the existing mortgage is beyond its due date can be acceptable provided the following are all met:

- Lender has continued to accept regular payments
- Application date is within 90 days of existing mortgage due date
- Funded date of our refinance is with 120 days of existing mortgage due date

The missed mortgage due date will be treated like a 1X30 for pricing and eligibility

4.15 SIGNIFICANT CREDIT EVENT WAITING PERIODS

A 36-month waiting period is required for the following:

- Foreclosure
- Short Sale or Short Refinance (Mortgage Charge-off)
- Deed-in-Lieu (DIL)
- Bankruptcy (All)
- Modification*

**Note*: Modifications that were a result of a COVID-19 forbearance plan are acceptable with no restrictions. Simple rate modifications performed by lender or servicer as a portfolio retention plan are acceptable with no restrictions.

SECTION 5: ASSETS

5.1 REQUIREMENTS

- 2 months recent statements
- Only large deposits from a borrower's business need be addressed. See section on business assets for further guidance
- Seasoned foreign assets may be used for down payment and closing costs with the following:
  - Assets must be verified in USD at current exchange rate http://www.xe.com

Non-vested or restricted stock accounts are not allowed

Joint Accounts: Access letters from co-owners are not required provided our borrower is clearly an account owner
Trust Accounts: If the trust is not clearly our borrower's family trust, a trust cert must be provided

5.2 FUNDS TO CLOSE

If funds to close are in non-cash holdings (stocks, bonds, mutual funds), verification of liquidation is required, however, proof of liquidation is not required if holdings are equal to a minimum of 120% of funds to close.

5.3 BUSINESS FUNDS

May be used for down payment, closing costs, and reserves, with the following restrictions:

- Business funds may be used up to the borrower's percentage of ownership
- If account co-owner is also an owner or purchaser of the subject property, then assets can be used to the combined percentage of ownership
- Large deposits into a business account do not need to be addressed

5.4 COMMISSION EARNED FROM TRANSACTION

- Commission earned by borrower acting as their own realtor is treated like seasoned funds, and may be used for down payment, closing costs, or reserves

5.5 CRYPTO CURRENCY

Crypto currency that has been converted to USD is an acceptable source of funds provided the crypto can be acceptably documented. Recently this asset type has gained more widespread popularity and documentation has improved. The documentation must show the acquisition date of the asset, and it must show a sufficient history to meet 60-day seasoning requirement.

Not all crypto currencies or crypto brokerages will provide for adequate documentation. An abundance of care must be used in reviewing statements provided.

5.6 GIFT FUNDS

- A minimum of 10% borrower contribution is required
- Gift funds may not be used for reserves
- Gift donor must be an immediate family member, domestic partner, fiancé. A gift from a cousin is not eligible.

5.7 RESERVES

All reserve requirements are based on subject property PITIA. Reserves for a loan with an interest only feature are based on Interest Only payment I.O. + TIA

If transaction fits 2 categories listed below, only the larger requirement applies.

Loan proceeds may be used to meet the reserve requirement

- Loan amount ≤ $1.5M — 3 months PITIA
- Loan amount > $1.5M — 6 months PITIA
- Loan amount > $2.0M — 9 months PITIA
- Novice with loan amounts < $2M — 8 months PITIA

5.8 ELIGIBLE SOURCES OF RESERVES

- IRA and other non-employer related savings plans
- Funds in non-cash holdings, stocks, bonds, mutual funds are not required to be discounted
- Cash Out proceeds may be used to meet the reserve requirement
- Cash surrender value of life insurance, annuities, etc.
- 401k at 50% of account value, no Terms of Withdrawal (TOW) required
- Cryptocurrency focused mutual or ETF funds offered by traditional currency based financial products providers like Fidelity, Schwab, etc. at 50% of current value
- Cryptocurrencies Bitcoin and Ethereum held in a Coinbase account at 25% of current value

Cryptocurrencies and cryptocurrency funds are limited to a combined maximum of 50% of the reserve requirement. Statements for these accounts have a maximum age of 60 days.

5.9 INELIGIBLE SOURCES FOR RESERVES

- Funds in a 1031 exchange account

- Gift funds
- Employer sponsored savings plans, like 401k
  - A 401k where the borrower is no longer employed by the company holding the 401k is treated like an IRA
- Spousal accounts

SECTION 6: INCOME

6.1 DSCR CALCULATION

- Monthly Gross Income / PITIA of the subject property = DSCR Ratio
- On Interest only products, the DSCR ratio is calculated using the interest only payment

6.2 DOCUMENTATION REQUIREMENTS

Purchase: 1007/1025 rent survey and leases or estoppel if existing tenants are staying with the property
Refinance: 1007/1025 AND existing lease if the appraisal reflects that the property is tenant occupied

6.3 RENTAL INCOME CALCULATION:

Transaction is ineligible if any tenant is a family member of the borrower.
A 1007 is required for all transactions. DSCR is calculated on all transactions.

6.3.1 PURCHASE

Long Term Rents (LTR)

- Vacant property: use 1007 or 1025
- Existing tenant lease use:
  - Actual rent which is ≤ to 110% of the rent survey
  - Actual rent which is ≤ to 120% of the rent survey provided 2 months proof of receipt is documented (security plus 1 month rent). Lease over 120% will be capped at 120% for DSCR calculation.
- New leases procured by the buyer/borrower are not allowed

Short Term Rents (STR)

- Pricing improvements related to DSCR > 1.25 are not eligible when using STR income
- STR may be used to a max LTV of 75% and on DSCR ≥ 1.0 only
- STR on purchase is available to experienced investors only
- STR income can be determined using 1 of the 3 methods described below. 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income. The 3 different income options are as follows:
  1. Use of STR listed on the 1007
  2. Use of an STR estimate "Rentalizer" from online data provider AirDNARental data provided by the seller of the property or Seller's property manager
     a. Market Score or Sub-Market Score
        i. Market or Sub-Market score of 60 or better, OR
        ii. Sub-Market Score of 50 or better with Rental Demand or Rental Growth at 60 or higher
     b. Occupancy Rate
        i. Minimum 40% occupancy required. Occupancy under 60% requires a minimum of 9 months' reserves
  3. Rental data provided by the seller of the property or Seller's property manager

6.3.2 REFINANCE

Long Term Rents (LTR)

- Use the lower of estimated market rent from the 1007 or the lease agreement. If the lease is higher than the 1007, but within 120%, it may be used with 2 months' proof of rent received. Lease over 120% will be capped at 120% for DSCR calculation
- If the current lease has expired, it may be used provided the appraisal shows the property is clearly tenant occupied and the 1007 meets or exceeds the current rent
- A new lease within 110% of the 1007 can be used provided the first month rent and security deposit are paper trailed to the borrower's bank account.
- A new lease within 120% of the 1007 or a new lease over 120% but capped at 120% for DCSR calculation, may be used provided the first month rent and security deposit are paper trailed to the borrower's bank account and supportive rental comps are provided.

A new lease is one where only one month of rent has been collected

Short Term Rents (STR)

- Pricing improvements related to DSCR > 1.25 are not eligible when using STR income
- STR may be used to a max LTV of 75% and on DSCR ≥ 1.0 only
- Short term rental income permitted with use of a 12-month look back to determine average monthly rents
- Annual or monthly statements from Airbnb or similar service required
- If the subject has less than twelve-month history the rent may be used for DSCR purposes provided an AirDNA Rentalizer supports the run rate of the actual rents received. The Rentalizer will show any seasonal aspects, the seller should exercise care in determining a suitable normalized qualifying rent amount.
- 80% of the gross rents will be used for qualifying income

6.4 PROPERTY RECENTLY PLACED IN SERVICE

For DSCR ≥ 1.0 only, property acquired, or placed in service, in the 2 months prior to the application date, which are vacant due to borrowers updating the property.

- For long term rents use the 1007 rents. Property must be documented to be in ready to rent condition and listed for rent
- For short term rents 80% of the estimated gross receipts will be used to determine the qualifying rental income
  - STR listed on the 1007
  - Use of an STR estimate "Rentalizer" from online data provider AirDNA
    - Market Score or Sub-Market Score
      - Market or Sub-Market score of 60 or better, OR
      - Sub-Market Score of 50 or better with Rental Demand or Rental Growth at 60 or higher
      - Occupancy Rate
      - Minimum 40% occupancy required. Occupancy under 60% requires a minimum of 9 months of reserves
  - Property must be staged for STR and be listed on an STR facilitator site like VRBO or Airbnb

6.5 PROPERTY IN-BETWEEN TENANTS

A property with a history of long-term tenants but currently vacant can use 1007 rents provided the following are all met;

- Borrower has an additional 6 months of non-proceeds reserves
- The property is documented to have been vacant < 60 days at application date
- A 10% reduction in maximum allowed LTV
- Property must be in rentable or near rentable condition, properties needing rehab are not eligible

6.6 INVESTOR TYPES

The timelines for all 3 Experience Level categories listed below is counted backwards from the Note date.

6.6.1 EXPERIENCED INVESTOR

A borrower who has owned 1 or more investment properties for at least 12 months (residential and commercial properties can be included) during the most recent 36-month period
Ownership of OREO may be documented with property profiles or similar

6.6.2 NOVICE INVESTOR

A Novice Investor does not meet the Experienced Investor requirements and are allowed with the following restrictions:

- Reduce max allowed LTV by 5%
- Minimum 680 credit score
- Minimum Reserve Requirement is 8 months
- STR income allowed on refinance transactions only
  - Must use actual STR income, 100% estimated STR income is not allowed
  - Actual income less than 12-month history supported by an AirDNA report
  - 100% estimated STR rent is not allowed

6.6.3 FIRST TIME PROPERTY OWNER (FTHB)

Not allowed. Defined as a borrower who has not owned real estate in the most recent 36 months.

- Non-spouse or non-domestic partner co-borrowers who are FTHB are not allowed.
- A borrower who is FTHB whose primary residence is owned by a spouse or domestic partner is acceptable

SECTION 7: APPRAISAL & PROPERTY

7.1 APPRAISAL

7.1.1 APPRAISAL REQUIREMENTS

- Appraisers must meet all industry standards.
- All appraisals must be performed in accordance with the Uniform Standards of Professional Appraisal Practice and Fannie Mae guidelines.
- All appraisals must conform to Universal Appraisal Dataset (UAD) requirements.
- Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value
- The appraisal should be dated no more than 120 days prior to the note
- Appraisal recerts are allowed and are good for 120 days
- Properties with Condition Ratings of C4 or better required

A full interior/exterior report with color photos is required on one of the following forms:

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

7.1.2 SECOND APPRAISAL

A second appraisal is required

- Loan amounts greater than $2,000,000
- The transaction is a flip (see Property Flipping section)

When a second appraisal is required, the value is based on the lower of the 2 values.
The second appraisal must be from a different company and appraiser than the first appraisal.

The 1007 from the appraisal used for value is the 1007 used for DSCR purposes. However, if a case can be made that the 1007 from the report not used for value is more relevant, then it can be used.

7.1.3 APPRAISAL REVIEW PRODUCT

An appraisal review product is required on every loan unless a second appraisal is obtained, one of the 3 options below is acceptable:

- CDA from Clear Capital **OR**
- ValREVIEW from Valligent **OR**
- Collateral Underwriter (CU Score) less than or equal to 2.5 **OR**
  A field review or a second appraisal is also acceptable – These must be from a different company and appraiser than the first appraisal
- If the CDA/ValREVIEW reflects a value of 10% or less below the appraised value, the appraised value is accepted
- If the CDA/ValREVIEW reflects a value of more than 10% below the appraised value, a field review or a second appraisal is required

7.1.4 MINIMUM SQUARE FOOTAGE REQUIREMENTS

There are no minimum GLA requirements for any of the eligible property types, however, GLA of the subject property must be considered common, must be supported by comparables in the appraisal, and present no market resistance.

7.1.5 DECLINING MARKETS

If the trend of property values is downward, a declining market exists and a 5% LTV reduction from the LTV product matrices for LTVs greater than 70%

7.2 PROPERTY FLIPPING

A property is considered a flip if either of the following are true:

- The purchase price exceeds the seller's acquisition cost by more than 10% if the property was acquired 90 or fewer days prior to the borrower's purchase contract date
- The purchase price exceeds the seller's acquisition cost by more than 20% if the property was acquired 91 – 180 days prior to the borrower's purchase contract date

If the property is a flip, the following requirements apply:

- A second appraisal is required
- If the loan is subject to Reg Z, a copy of the second appraisal must be provided to the borrowers in compliance with HPML rules
- The second appraisal must be dated prior to the loan consummation date/ note date.
- The seller must be the owner of record
- Increases in value require commentary from the appraiser as well as recent comparable sales

7.3 PROPERTY

7.3.1 ELIGIBLE PROPERTIES

- Single family attached / detached
- PUD attached / detached

- 2-4 units
- FNMA warrantable condos in established projects
- Non-warrantable condo in established projects (available via exception only)
- Condos in New Projects eligible only with FNMA Condo Project Manager (CPM) approval

7.3.2 ACCESSORY DWELLING UNITS (ADU)

ADUs are becoming increasingly popular in many locations across the US as housing gets more scarce and more expensive. Using rents from an ADU are acceptable with the following requirements:

- Appraisal shows the ADU to be legal, allowed, or zoning compliant
- Appraiser to provide comparables with ADUs
- Multi-family or multi-ADU acceptable provided total unit count is less than or equal to four

Refinance

- Appraiser to address ADU rents on a 1007 if ADU rents are being used

Purchase

- Follow guidance Rental Income Calculation section

7.3.3 ACREAGE LIMITATIONS

Maximum of 5 acres

7.3.4 PROPERTY ZONING

Zoning designations are determined by the City or County based on the property location, each governing entity has their own unique zoning titles or descriptions. The property's specific zoning will describe, in general, what type of activity is allowed, and the density that is allowed. Regardless of what the zoning designation is for the subject property, the property must meet the 3 requirements listed below.

1. The current usage of the subject property is residential
2. Residential must be allowed usage of the subject property zoning
3. Residential must be the highest and best use of the subject property, as defined by the appraiser

If the property passes the 3-question test listed above, the zoning designation is acceptable.

7.3.5 NON-PERMITTED CONVERSIONS, ADU, AND ADDITIONS

Conversions

Conversions into living area of non-Gross Living Area (GLA) spaces like garages, sunrooms and porches, for example, are allowed provided the following criteria is met:

- Square footage is not counted in GLA (unless appraiser can support using)
- Conversions must have been done in a manner that is consistent with the subject property
- Appraiser must comment that no health and safety issues are present and that the conversion was done in a workman like manner
- Appraiser must provide cost to cure to return the conversion to previous use
- Appraiser must comment the conversion is common and accepted by buyers in the subject's market

ADU

- Properties with an ADU which is described or designated by the appraiser as illegal, not allowed, or non-zoning compliant, are ineligible
- ADU described as allowed, legal, or zoning compliant are acceptable
  - Appraiser must comment that no health and safety issues are present and that the ADU was done in a workman like manner
  - Appraiser must comment the ADU is common and accepted by buyers in the subject's market

Additions
Additions for which permits were not required, not available due to property location and age, whose permit status is unknown, or completed without permits, require the following:
- Appraiser to confirm addition was done in a manner consistent with the original structure
- Count as GLA at appraiser discretion
- Appraiser must comment that no health and safety issues are present and that the addition was done in a workman like manner
- Appraiser must comment the addition is common and accepted by buyers in the subject's market

7.4 RURAL PROPERTIES

- Allowed with a 10% non-cumulative reduction from max allowed LTV. LTR or borrower actual earned STR only. A property is classified as rural if the appraiser indicates in the neighborhood section of the report a rural location **OR**
- Any 2 of the following are present:
  - The property is located on a gravel road
  - 3 comps are more than 5 miles from the subject property
  - Less than 25% of the surrounding area is developed

7.5 INELIGIBLE PROPERTIES

- Agricultural properties, including farms, ranches, or orchards
- Bed & Breakfast
- Boarding houses
- Condotels
- Cooperatives
- Dome or geodesic homes
- Fractional ownership i.e.: TIC
- Group homes, for example, assisted living and drug/alcohol rehab facilities
- Hawaii properties in Lava Zones 1 and 2
- Homes on Native American Land
- Houseboats
- Leaseholds
- Log homes and log style
- Manufactured or mobile homes
- Mixed used properties
- New Condo Projects without CPM approval
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy
- Properties used for marijuana cultivation activities
- Properties with unpermitted ADUs
- Properties with zoning violations
- Timeshares
- Vacant land

7.6 HAZARD INSURANCE COVERAGE REQUIREMENTS

Property coverage must meet one of the two options listed below:
1. 100% of the dwelling replacement cost as determined by the insurer, typically evidenced by an RCE (replacement cost estimator) **OR**
2. 100% of the loan amount

7.7 HAZARD INSURANCE OVERLAYS

We follow standard industry insurance requirements, with the following overlays allowed

1-4 Unit Coverage Overlays
- Allow for greater than 5% deductible. Maximum of 10%
- Allow for less than full replacement cost on roof coverage. One example is policies that provide for full replacement cost through year 15, but thereafter revert to actual cash value

HOI Overlay Requirements:
- The transaction reserve floor is the lesser of $30k or 12 months PITI
- Files with credit exceptions are not eligible

Condo Master Coverage Overlays
- Allow for greater than 5% deductible. Maximum of 10%
- Allow for less than full replacement cost on roof coverage. One example is policies that provide for full replacement cost through year 15, but thereafter revert to actual cash value

Condo Master Overlay Requirements:
- Regardless of transaction requirements, an HOA budget must be provided for review. Budget must contain required reserve holdback*
- Files with credit exceptions are not eligible

**Note*: For condos treated like an SFR (small projects or detached), please see requirements for 1 - 4 Unit Coverage

7.8 CONDOS

7.8.1 REVIEW TYPES (ALL STATES EXCEPT FLORIDA)

Any of the following review methods may be used as applicable to the property and transaction

7.8.2 STANDARD REVIEW

- Limited or Full Project review determined as per Fannie Mae's specific transaction eligibility
- Project Questionnaire Addendum is required

7.8.3 REVIEW WAIVER

- Detached condo units do not require a project review
- 2 - 4-unit projects do not require a project review

When using a review waiver, the following information must be provided:
- Document the Priority of Common Area Expenses. Max allowed lender responsibility is 6 months unless the state where subject project is located mandates a higher number of months, however, not to exceed 12.
- Document there are no unaddressed critical repairs outstanding. Documentation options include but are not limited to: appraisal pictures and commentary or communication from the HOA.

7.8.4 CONDO PROJECT MANAGER (CPM) WITH FNMA APPROVAL

A CPM reflecting the project was reviewed and evaluated by FNMA is allowed and will satisfy the review requirement. The CPM certificate must show an unexpired FNMA approval.
- Seller to provide initial PDF of CPM approval.
- An updated CPM is required no more than 10 calendar days from loan closing.

7.8.5 PROJECT QUESTIONNAIRE ADDENDUM

- Both full and limited review require a Project Questionnaire Addendum. The purpose of the addendum is to determine the physical condition of the project.

7.8.6 FLORIDA PROJECTS

- Full Review and Project Questionnaire Addendum (must address state mandated Milestone Inspections)
- CPM approved by FNMA and Project Questionnaire Addendum (must address state mandated Milestone Inspections)
- Limited Review not eligible

7.8.7 PROJECT REQUIREMENTS

- Project has been created and exists in complete compliance with all applicable local, state and all other regulations and laws
- Meets all FNMA insurance requirements
- Borrower is required to carry HO-6 if the master insurance does not cover walls-in with betterments and improvements
- Project documents do not give a unit owner or any other party priority over the rights of the first mortgage
- Annual budget allocation to reserves < 10% allowed with the following:
    - Appraisal shows no major repairs required AND
    - A lower annual allocation permitted if the following reserve balance thresholds are met:
        - 7% to 9.99% requires reserve fund balance of 50% of annual budget
        - 5% to 6.99% requires reserve fund balance of 75% of annual budget
        - 3% to 4.99% requires reserve fund balance of 100% of annual budget

7.8.8 NON-WARRANTABLE PROJECTS

The following may be considered via exception. Exception pricing will be applied:

- Investor concentration >50% on non-owner transactions
- Commercial space >25%
- Single entity ownership >20%

SECTION 8: EXHIBIT A: COMPLIANCE AGREEMENT/ERROR AND OMISSIONS

SEE ATTACHED BELOW

COMPLIANCE AGREEMENT / ERROR AND OMISSIONS

Lender:

Borrower(s):
Property Address:

The undersigned borrower(s) for and in consideration of the above referenced Lender this date agrees, if requested by Lender or Closing Agent for Lender, to fully cooperate and sign any additional or corrective documents if deemed necessary or desirable in the reasonable discretion of Lender to enable Lender to sell, convey, seek guaranty or market said loan to any entity, including but not limited to an investor, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Authority or the Veterans Administration, or any Municipal Bonding Authority.

If permitted by law, the undersigned borrower(s) agree(s) to comply with all above noted requests by the above referenced Lender within 30 days from date of mailing of said requests. Borrower(s) agree(s) to assume all costs including, by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to comply with correction requests in the above noted time period.

The undersigned borrower(s) do hereby so agree and covenant in order to assure that the loan documentation executed this date will conform and be acceptable in the marketplace in the instance of transfer, sale or conveyance by Lender of its interest in and to said loan documentation, and to assure marketable title in the said borrower(s).

The undersigned borrower(s) agree(s) that the failure of borrower(s) to cooperate, adjust, and/or replace any such loan documentation as described above, upon the reasonable request of Lender, will constitute a default under the loan documentation.

The undersigned borrower(s) agree(s) that they will furnish to Lender or its successors and/or assigns upon request current copies of any and all Lease Agreements.

Borrower ____________________________

Date ____________________________

State of ________________________________

County of ________________________________

This record was acknowledged before me on this __________ day of ______________________, ______________.

by ____.

(Seal)

____
Signature of notarial officer

____
Title of office

My commission expires:___________________________

SECTION 9: CHANGE LOG

Revision Description	Revision Effective Date
Removed all references of DSCR >=.08 <1.0 from Eligibility Grid and Guidelines	6-18-2025
• Modified Geographic Restrictions: Non-Delegated NY DSCR loans are ineligible. NY DSCR Delegated loans are eligible for purchase. • Modified Step Down Prepay Types: Allows (5%/4%/3%/2%/1%)	7-21-2025
• Update NJ PPP – allowed only if closing as a S-Corp or C-Corp. • Clarification made to the PPP options	8-11-2025
• Added LTV Restrictions: Florida condos max 75% LTV • Added PPP allowed in o IL only if closing as a S-Corp or C-Corp o LA only if on 6 months of Interest or Fixed 5% Prepayment Penalty Structure • Modified Recently Listed Properties and Housing History Guidelines • Added new guideline sections: o Entity to Entity Transaction o Commission Earned from Transaction o Non-permitted conversions, ADU, and additions • Added Properties with unpermitted ADUs to the list of Ineligible Properties • Modified the Condos Section Significantly • Modified the Asset Requirements Section: Must be dated within 120 days of the note instead of 90. • Added Geographic Restriction: Baltimore , MD not eligible for purchase	9-23-2025
• Added Note about Rounding LTV calculations • Eligibility Grid changes • Increased to 80% LTV to $1.5M with 700 Credit Score • Increased to 75% LTV to $1.5M with 660 Credit Score • Increased to $2.0M to 75% LTV with 700 Credit Score • Added 660 Credit Score tier at $2.5M to 65% LTV • Increased max Loan Amount to $3.0M • Added ≥0.8 <1.00 DSCR to a $2.0M with a 700 Credit Score • Clarified PPP Option that has 6 months interest has 1, 2, and 3-year terms available • PPP allowed in OH if the property is 3 – 4 units • Increased PPP minimum loan amount in PA to $329,411 • Loans in Baltimore City, MD and Philadelphia County, PA are not eligible for purchase • NY DSCR Delegated loans in Brooklyn, NY, Rockland County, NY, Orange, NY are ineligible for purchase • Increased max equity withdrawal on cash out transactions to the following • LTV < 65% allows up to $1,500,000 • LTV > 65% allows up to $750,000 • Added that time in entity counts towards seasoning if borrowers are at least 50% owner • Increased max exposure to Newfi to 10 loans or $5.0M • Defined landlord/tenant as not an automatic NAL • Added Crypto based account documents valid for 60 days • Added credit review guidance for excessive mortgage lates beyond 12 months • Added Housing History guidance for DSCR ≥0.80 <1.0 • Added guidance for treatment of missed balloon defaults • Added details for treatment of family trust accounts • Added clarification gift donor must be an immediate family member • Reduced reserves required at all LTV and loan amount levels • Added eligible sources of reserves	3-15-2026

• Added ineligible sources of reserves • Revised Rental Income Calculation Guidance for LTR • Added Rental Income Calculation Guidance for STR. Previously not allowed. • Added guidance for properties recently placed in service • Added guidance for properties in-between tenants • Added guidance for 3 investor experience levels • Revised threshold upwards for CU score CDA trigger • Allow for New Condo Projects as eligible provided CPM approval or 3rd party condo review • Increased acreage limitations from 3 to 5 • Rolled back restrictions to non-permitted conversions, ADU, and additions • Allow rural properties • Allow non-warrantable condos via exception	