



# FUNDLOANS



# ASPIRE

---

## 2<sup>nd</sup> MORTGAGE GUIDELINES

Effective 01-02-2024 | V2.0



## **PROGRAM**

ASPIRE is a cash-out, debt consolidation or piggy-back purchase junior lien (second position or better only) program available for primary residences, second homes, and 1-4 unit investment properties.

### **Program: Eligible Terms**

FULLY AMORTIZING	TERM	QUALIFYING RATE
30 Year Fixed	360	Note Rate
20 Year Fixed	240	Note Rate
15 Year Fixed	180	Note Rate
10 Year Fixed	120	Note Rate
Interest Only	TERM	QUALIFYING RATE
30 Year Fixed (10 Year I/O)	360	Full Amortizing PITIA over 20 years

### **Program: Loan Amounts**

- Minimum Loan Amount: \$200,000
- Maximum Loan Amount: \$1,000,000

### **Program: Minimum FICO**

680 (indicator Score of Primary Earner)

### **Program: DTI/Ratios**

Full Documentation: Per Montage Full Doc Guidelines (50%)

Bank Statement: Per Apex Bank Statement Guidelines (50%)

P&L Only: 45%

### **Program: Maximum LTV/CLTV**

(See Matrices for LTV/CLTV maximums)

Full Doc maximum CLTV 75%

Bank Statement maximum CLTV 75%

P&L Only maximum CLTV 65%

1<sup>st</sup> Mortgage Loan Amounts of ≥ \$3,000,000 capped at 65% CLTV

### **Program: Declining Markets**

Properties in which the appraiser is reporting a declining trend in values for the subject’s market area require a 5% reduction in the maximum LTV for the applicable program.

### **Program: Statement of Occupancy**

Applicants must re-confirm their intended use for the subject property (“Primary Residence”, “Second Home” or “Investment Property”) by completing and signing the appropriate sections of the “Occupancy Certification” found in the Appendix of these guidelines.

### **Program: Listing Seasoning**

Properties previously listed for sale should be seasoned at least 3 months from the listing contract expiration date.



### **Program: Early Payment Default (EPD) / Prepayment Penalty**

Early Payment Default (EPD), loans that become delinquent after the loan funding by FundLoans are subject to repurchase by the Broker pursuant to the EPD language (if any) in the Broker Agreement.

### **Program: Property Insurance Coverage Requirements**

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. FundLoans must be named as an additional insured and 2<sup>nd</sup> mortgagee on the policy.

## **ELIGIBLE TRANSACTIONS**

### **Eligible Transactions: Cash Out or Debt Consolidation**

Unlimited proceeds from the transaction can be used for any purpose, including home improvements or debt consolidation. Rate and term of an existing 2<sup>nd</sup> is also allowed if there is a net tangible benefit to the borrower.

### **Eligible Transactions: Purchase**

Can be used concurrent with a first mortgage loan for a purchase requiring the following:

- Final approval letter for first mortgage loan showing all conditions have been satisfied
- All documentation requirements from first mortgage investor
- Final closing disclosure from first mortgage transaction

### **Eligible Transactions: Delayed Financing and Recent Purchase**

Financing on properties purchased by the borrower (whether using cash or financing) in the previous 12 months from application date is allowed without penalty. However, the value shall be limited to the lesser of the purchase price or appraised value unless documented improvements have been made.

### **Eligible Transactions: Non-Occupant Co-Borrowers Allowed**

Non-occupant co-borrowers are credit applicants for a principal residence transaction who do not occupy the subject property as their own principal residence. Non-occupant co-borrowers must meet the following requirements:

- Do not occupy the subject property as a principal residence
- Must be an immediate relative (relationship letter is required)
- Must sign the mortgage or deed of trust
- Joint liability on the note with the borrower

### **Program Restrictions:**

- Combined 1<sup>st</sup> and 2<sup>nd</sup> loan amount cannot exceed \$5,000,000
- Texas Section 50(a)(6) and 50 (f)(2) not allowed

### **Eligible Transactions: Limitations on Financed Properties**

There is no limit on the number of other properties the borrower may currently have financed.



FundLoans' exposure to a single borrower shall be the lesser of \$1,000,000 in 2<sup>nd</sup> lien UPB or two (2) 2<sup>nd</sup> loans.

## **CITIZENSHIP / RESIDENCY**

### **Citizenship/Residency: Eligible Types**

#### **U.S. Citizens:**

Eligible without restrictions

**Permanent Resident Aliens:** Eligible without guideline restrictions

Defined: An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United

Acceptable evidence of permanent residency include the following:

- Alien Registration Receipt Card I-151 (referred to as a green card).
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions Non-expired foreign passport
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."

**Non-Permanent Resident Alien:** - Eligible with the following Visas:

- E Series
- G Series
- H Series
- L Series
- O Series
- P Series
- TN Series

#### **Foreign National:**

Not Allowed

### **Citizenship/Residency: Ineligible Types**

- Applicants possessing diplomatic immunity
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party-list, or any other exclusionary list. Refer to Fannie Mae guidelines for all definitions of eligibility status.

## **VESTING**

### **Vesting: Eligible Vesting**

Primary and 2<sup>nd</sup> Home: Individuals and/or Revocable Intervivos/Living Trusts Only

Non-owner Occupied: LLC, corporation, or partnership allowed with individual to execute note and provide guarantee of payment.



## **Vesting: Ineligible Vesting**

- Irrevocable Trust
- Land Trust

## **INCOME**

### **Income: Acceptable Income Doc Types**

Acceptable income documentation types and calculation methods are as follows:

- Full Documentation – 12 Month
- Bank Statement – 12 Month
- P&L Only – 24 Month

### **INCOME: FULL DOC**

All documentation to follow Montage Full Doc 1 year guidelines.

IRS form 4506-C required + tax transcripts for prior year.

### **INCOME: BANK STATEMENTS**

All documentation to follow Apex Bank Statement 1 year guidelines.

For self-employed borrowers, income must be documented through the use of 12 months personal, business (or both) bank statements. Other income sources that are documented as Full Doc (ex: 1099 income; spouse employed as a wage earner) may be used in combination with bank statements.

All documentation for this document type shall follow Method 1, Method 2, Method 4, Method 6, and Method 7 using 12 months of statements under FUNDLOANS APEX Bank Statement Guidelines. No income may be documented using Method 3, Asset Allowance or Assets Only.

On a case-by-case exception basis, 24 months of bank statements may be used subject to any LLPA as set forth in the pricing matrix.

### **INCOME: P&L + 2 MONTHS' BANK STATEMENTS**

24-month Profit and Loss prepared by Accountant/Cert Tax Preparer (w/ evidence of state certification or professional registry). 45% DTI max, minimum 700 score and additional 10% CLTV reduction.

- Provide evidence business was organized/licensed/active for the past 24 months or more.
- Provide financials signed by the Accountant/Cert Tax Preparer covering the past prior years as follows:
  - Application Date Jan 1 – Mar 31: Prior 2 years P&L
  - Application Date Apr 1 – Dec 31: Prior 2 years + YTD
- Provide a letter from the Accountant/Cert Tax Preparer on their business letterhead showing their business address, phone number, license, or certification number, and addressing the following:
  - Restating the borrower's name, the business name, and the borrower's percentage of ownership
  - A certification that the Accountant/Cert Tax Preparer has prepared (or reviewed) the 2 most recent business tax return filings for the business(es) listed.
- 2 months bank statements must be provided. Deposits from the bank statements must be greater than or within 10% of the average monthly gross income of the P&L period. In the event the 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met.

## **PROPERTY ELIGIBILITY**

### **Property Eligibility: Property Types**



- Single Family
- 2-4 Units investment
- 1 Unit properties with multiple ADUs (see Montage/Apex guideline)
- Condos:
  - Project Types
    - All Fannie Mae project types and project review methods are allowed
    - Must meet Fannie Mae eligibility requirements
    - Non-Warrantable considered on a case-by-case basis
    - Assisted-Living: On a case-by-case basis if residential in nature/quality and limited to 60% CLTV max.

**Property Eligibility: Ineligible Properties**

Properties not eligible:

- Properties listed for sale within the past 3 months
- 2-4 Unit Second Home
- Condotels / Condo Hotels
- Manufactured Homes/Mobile Homes
- Agricultural including working farm, ranch, or orchard
- Rural and/or Properties >5 acres
- Co-op
- Unique properties (e.g., Dome house, Berm home, Earth home)
- Mixed-use
- Property condition rating C5 & C6
- Property with health & safety, soundness, or structural issues

**Property Eligibility: Appraisals**

Full Interior / Exterior appraisal(s) are required.

The age of the appraisal report must be less than 12 months from the note date of the transaction. If the appraisal report is greater than 4 months from the date of the note and mortgage, then an appraisal update is required.

The inspection and results of the appraisal update must be reported on the Appraisal Update and/or Completion Report (Form 1004D).

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

If the appraiser indicates on the Form 1004D that the property value has not declined, then the lender may proceed with the loan in process without requiring any additional fieldwork.

Transferred appraisals from a prior transaction will be scrutinized for declining market conditions and new appraisal required as appropriate.

FORM	PURPOSE
<i>Uniform Residential Appraisal Report (Form 1004)</i>	For appraisals of one-unit properties and units in PUDs (including those that have an illegal second unit or accessory apartment) based on interior and exterior property inspections.
<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>	For appraisals of one-unit properties in condo projects based on interior and exterior property inspections. Appraisals reported on Form 1073 must be completed in accordance with the UAD Specification.
<i>Small Residential Income Property Appraisal Report (Form 1025)</i>	For appraisals of two- to four-unit properties (including two- to four-unit properties inPUD, condo, or co-op projects) based on interior and exterior property inspections.
<i>Appraisal Update and/or Completion Report (Form 1004D)</i>	For appraisal updates and/or completion reports for all one- to four-unit appraisal reports.

**Property Eligibility: Collateral Desk Assessment**



All appraisals require a desk review from Clear Capital

## **CREDIT**

Minimum Credit Score: Per eligibility matrix (700 min for P&L Only)

Minimum Tradelines: Per Montage or Apex Guidelines based on doc type

Significant Derogatory Credit:

- No bankruptcy of any kind within prior 48 months
- Extenuating circumstance seasoning not permitted

Qualifying Payment for 30 yr Interest only: Fully amortizing 20 yr payment

## **Mortgage and Housing History:**

Mortgage Payment History (all reported mortgages):

- 0x30x12
- 1x30x48 allowed with acceptable Letter of Explanation
- NO 1x60 in last 48 months

Forbearance, Modification and/or Deferment:

No history of any forbearance, modification or deferment on any mortgage obligation in the prior 7 years from the date of application. Any history of forbearance, modification or deferment older than 7 years from application date, including an existing deferred balance, must have been executed by all parties, agreed to by the lender and started prior to the date that is 7 years prior to the application date and further requires:

- FICO above 700
- All payments since modification/deferment must have been made on time
- No Balloon due within the next 10 years
- No rate adjustments in next 10 years
- 10% CLTV reduction

Foreclosure or NOD:

No foreclosure or Notice of Default on any mortgage in prior 7 years

## **LIABILITIES**

Document per respective doc type:

Full Doc: Montage 1 yr Full Doc Guidelines

Bank Statements/P&L: Apex 1 yr Bank Statement Guidelines

## **ASSETS**

Document per Montage or Apex Guidelines

- Cash-out proceeds can be used to meet reserve requirement.
- Eligible gift funds (but not gifts of equity) can be used to meet reserve requirement.

## **1st MORTGAGE REQUIREMENTS**

Documentation:



- Copy of first mortgage note or billing statement (if contains terms of note) must be included in loan file

**Qualifying Payment:**

- Full Amortization - amortized payment at current note rate
- Interest Only - fully amortizing principal & interest payment for the loan amortization period

**Ineligible Products & Terms:**

- Negative amortization
- Modification from original terms
- Term > 40 years
- 1<sup>st</sup> mortgage balloon payment due during term of 2<sup>nd</sup> mortgage
- Private mortgage
- Land contract or contract
- Fannie Mae HomeStyle, HFA, Refi Now, HomeReady, Affordable Refi and Down Payment Assistance programs

**TITLE REQUIREMENTS**

- ≤ \$250,000 - ALTA Residential Limited Coverage Junior Loan Policy or ALTA Standard Coverage Policy insuring the second lien amount.
- > \$250,000 - ALTA Standard Coverage Policy insuring the second lien amount.

**Guideline Changes (01-16-2024 v. 2.1):**

Added Property Eligibility for multiple ADUs