FUNDLOANS

SPECTRUM NO RATIO

GUIDELINES

Effective 03-05-2025 | 5.1

Table of Contents

PROGRAM

Programs: Overview

FundLoans guidelines are structured to fund investment quality non-owner-occupied loans that are designated solely as “business purpose loans.” All borrowers will be required to sign a Business Purpose and Occupancy Statement prior to funding declaring that the property is, or will be, for investment purposes only.

Debt Service Coverage Ratio (DSCR) is the Monthly Gross Rental Income divided by the PITIA (or ITIA for “Interest Only” loans) of the subject property. Examples of how to document and calculate Monthly Gross Rental Income and the DSCR are provided in these guidelines.

FundLoans will actively monitor, pre- and post-closing, for any loans that appear to violate our occupancy guidelines, especially an applicant seeking to leverage our DSCR program on a home intended as a Primary Residence or use funds from the DSCR for personal use.

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association (“Fannie Mae” or “FNMA”) or Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”) are not eligible for Fund Loans’ Spectrum: DSCR Prime program.

Programs: Eligible Products

Fully Amortized and Interest Only - see Program Matrix for details

Programs: Loan Amounts / Prepayment Penalty

- Minimum Loan Amount: See Program Matrix
- Maximum Loan Amount: See Program Matrix

Standard 3-year prepay with the option to buydown to a 2 year or a 1 year at additional cost.
Prepayment penalty is fixed 5% fee.

Programs: Minimum FICO

(See Program Matrix for minimum FICO requirements)

Programs: Maximum LTV/CLTV

(See Program Matrix for LTV/CLTV maximums)

Programs: State Eligibility

(See FundLoans Website for current State Licensing)

Programs: Age of Documents

Credit Reports	-	90 days
Asset Verifications	-	90 days
Appraisal	-	120 days
Mortgage Statements	-	Must validate current payment due

Programs: Listing Seasoning

Properties previously listed for sale must be seasoned at least 6 months from the listing contract expiration date to the application date. Listings seasoned less than 6 months at time of application are eligible (cashout or rate & term) if all the following are met:

- Listing removed/canceled prior to application;
- LLPA and rate adjustment in accordance with FL pricing at time of lock;
- Borrower-paid compensation only;
- 5% reduction from max LTV
- Value is lesser of appraised value or prior listing price;
- Loan Amount is <$4,000,000 (unless loan amount exception is granted).

Note: Prepayment penalty is required on investment properties, subject to LLPA buyout if allowed.On case-by-case basis, shorter seasoning may be allowed and not subject to the above requirements if:

- Listing was required by court order (divorce decree, joint tenancy dissolution, etc.); or
- Property proceeds are used to buy out the interests of co-beneficiaries (such as inherited property, dissolution of trust, etc.) and
- LTV% is at least 10% below maximums.

Programs: Interested Party Contributions (Seller Concessions)

Interested Party Contributions are defined as Fannie Mae Seller Guide Section B3-4.1-02 limits considered sales concessions. Max IPC for all CLTVs is 2%. Lender credit derived from premium pricing is not considered an IPC.

The property's sales price must be adjusted downward to reflect the amount of contribution that exceeds the maximum, and the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value.

Programs: Escrow Impounds

Escrow funds/impound accounts are required to be established for all loans funded by FundLoans.

Escrows may be established for funds collected by the lender, originator, or servicer as required to be paid under the security instrument.

Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, HOA Dues (if permitted by law), etc.

For non-HPLM loans, a waiver of impounds may be considered on a case-by-case basis for a price adjustment.

Programs: Secondary Financing

Secondary financing is not permitted without an exception granted by FundLoans.

Programs: Borrower Eligibility

Professional Investor: Primary Borrower must have at least twelve (12) months experience owning income-producing real estate (residential or commercial) within the most recent thirty-six (36) months from the Note date.

Verification may be documented by:

Completed REO schedule on 1003 showing a current income-producing property(ies); or
3rd party documentation evidencing rental income was received from a prior owned income-producing property(ies); AND
Property profile(s) confirming ownership dates.

First-Time Investor: Borrowers not meeting the Professional Investor are allowed with the following restrictions:

- Loan amount ≤ $2,000,000
- DSCR >1.00
- FICO ≥700
- 5% LTV reduction
- 12 months reserves
- No gift funds allowed
- No exceptions in the file (credit/asset/liability, etc.)

Programs: Statement of Occupancy

Applicants must re-confirm their intended use for the subject property ("Investment Property") by completing and signing the appropriate sections of the "Business Purpose and Occupancy Statement" found on our Website.

Programs: State and Federal High Cost Loans

Loans meeting the State or Federal definitions of High-Cost Loans are not currently allowed by FundLoans.

Programs: Assumability

Fixed Rate Notes - Are not assumable.

ARM Notes - May be assumably based upon the note (in general Fannie Mae Notes contain an assumable clause). In any case, the verbiage in the Note and Closing Disclosure must match.

Programs: 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. The coverage must provide for claims to be settled on a replacement cost basis. Evidence of insurance must show a minimum of 90 days coverage remaining at the time of closing for refinances, 12 months coverage for purchases.

Extended coverage must include, at a minimum:

- Rent Loss (or equivalent to cover 6 months market rent)
- Wind • Civil commotion (including riots)
- Smoke • Hail, and
- Damages caused by aircraft, vehicles, or explosions.

Policies that limit or exclude from coverage (in whole or part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or another similar arrangement.

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer; or
- the unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis.

If it does not, then the coverage that does provide the minimum required amount be obtained.

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.

ELIGIBILE TRANSACTIONS

Eligible Transactions: Ineligible Transactions

- Construction Loans (to be built with holdbacks)
- Texas Equity Loans
- Builder "Bailout" (buying own inventory or model homes)
- Conversion Loans
- Subordinate Financing
- First Time Home Buyer/First Time Investor on case-by-case basis subject to 5% LTV reduction

Eligible Transactions: Eligible Transactions

Eligible Transactions: Purchase

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. Non-Arm's Length transactions are not permitted.

Transactions, where any borrower is directly or indirectly in title to a property at the time of application, will not be underwritten as a purchase.

Eligible Transactions: Rate/Term Refinance

Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property. At least one Borrower in the proposed DSCR loan must currently be a title holder or must have a significant (> 20%) seasoned (greater than 6 months) interest in a legal entity that is the current title holder.

Proceeds from the transaction can be used to pay off any 1st mortgage lien that was not used in the acquisition of the subject property provided one of the following applies:

- At least 12 months of seasoning have occurred.
- No seasoning is allowed if the first mortgage being paid off was acquired for any one of the following reasons:
  - To recoup down payment/closing costs/prepaid on the property (no financing obtained at the time of purchase) and delayed financing guidelines followed
  - To buyout a co-owner/co-inheritor and below documentation provided
  - To buyout an ex-spouse per settlement agreement and payoff to ex- spouse reflected on the final closing statement
  - To payoff land contract that was executed 12 months prior to current first.
- If a 1st Mortgage lien was not used in the acquisition of the subject property and is less than 12 months seasoned, the closing disclosure from the prior financing should be supplied to determine if the Borrower took cash out from the prior transaction. If not, rate

and term refinancing can be considered. If so, cash-out guidelines should be applied.

Proceeds from the transaction can be used to pay off any subordinate mortgage lien that was not used in the acquisition of the subject property provided one of the following applies:

- Closed-end loan, at least 12 months of seasoning has occurred;
- HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than $2,000.
- UCC liens (of any age) used specifically for home improvement (Example: Purchase of Solar Panels, Energy Efficiency Upgrades, Swimming Pools)

Buying out a co-owner pursuant to an agreement with all current titleholders and obligors (payoff of co-owner portions of encumbrances and equity not considered "cash-out"). These types of transactions are subject to the following:

- Notarized written agreement by all parties stating the terms of the property transfer
- Payment to any parties bought out during the transfer must be paid through the settlement
- If applicable, the property must have cleared probate and property vested in the applicants' name (or entity) by closing

Paying off an installment land contract executed more than 12 months from the loan application date (Closing costs and prepaids can be added into loan amount if LTV/CLTV allows) and the the following requirements apply:

- Copy of fully executed land contract and payoff(s) to be obtained
- Copies of canceled checks for the past 12 months (or the life of the contract, if less than 12 months) as evidence of timely payments
- If the land contract was executed less than 12 months ago, the Borrower's previous housing payment history must also be verified to complete a 12- month history
- All liens on title to be paid in full and reflected on settlement statement at closing
- If the contract was executed less than 12 months ago, the lesser of:
    - The loan amount/purchase price or
    - The loan amount / current appraised value must be used to determine LTV
- The current appraised value may be used to determine LTV if the land contract was executed over 12 months ago.
- Cash-Out and Non-Arm's length transactions with non-family members not eligible.

Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.

LTV/CLTV based upon the appraised value. Loans with loan amounts (inclusive of closing costs and prepaids) that do not exceed the original acquisition cost are acceptable at any time following the original acquisition.

EXAMPLE: Applicant wishes to refinance a private money mortgage used for the financing portion of a recent property acquisition and seeks new permanent financing at improved terms or interest rates soon after the acquisition.

Eligible Transactions: Continuity of Obligation (Refinances only)

At least one of the applicant(s) or members of a vested entity on the existing mortgage is also an applicant/member on the new refinance transaction secured by the subject property. When an existing mortgage will be satisfied as a result of a refinance transaction, one of the following requirements must be met:

- At least one Borrower on the refinance mortgage was a borrower on the mortgage being refinanced; or
- At least one applicant on the proposed refinance held title to the subject property for the most recent 6-month period and the mortgage file contains documentation the applicant has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 6-month period; or
- At least one applicant on the proposed refinance inherited or was legally awarded the subject property by a court, in the case of a divorce, separation, or dissolution of a domestic partnership.

Eligible Transactions: Delayed Financing

Cash-out on properties purchased by the Borrower with cash and owned less than 6 months is allowed.

The following requirements apply:

- The original transaction was an arms-length transaction
- The settlement statement from the original purchase confirms that no mortgage financing was used to acquire the subject property
- The source of funds used for the purchase can be documented/sourced/seasoned (gift funds may not be included)
- The new loan amount can be no more than the actual documented amount of the Borrower's initial investment in the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan
- Sufficient documentation to validate actual cost to any renovations (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.)
- Title report to confirm no mechanic lien
- Cash-out refinance eligibility requirements (see matrices) must be met (Price as a Rate/Term Refi)

Eligible Transactions: Permanent Financing for New Construction

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the Borrower to fund the construction of a new residence. The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.

For Rate/Term refinances, the current appraised value can be used.

For Cash Out refinances, the LTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of the lot) if the date of lot acquisition (per grant deed) is < 12 months. When the lot was acquired > 12 months ago, LTV is based on the current appraised value.

Eligible Transactions: Cash Out Refinance

Proceeds from the transaction are used for any refinance that does not meet the definition of a rate/term transaction. A mortgage secured by a property currently owned free and clear is considered cash out. The payoff of delinquent real estate taxes (60-days or more past due) is considered cash out.

A signed letter from the Borrower disclosing the purpose of the cash-out must be obtained on all cash-out transactions. Utilizing the funds for personal, family, or household purposes is prohibited.

Non-Arm's Length and Interested Party Transactions are not not eligible for cash out:

Cash-Out Seasoning is defined as the difference between the note date of the existing loan to the note date of the new loan. The below seasoning requirements are acceptable for cash-out transactions:

- For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
- If property is owned less than (12) months but greater than (6) months, the transaction LTV/CLTV will be based on the lower of the current appraised value or the property's purchase price + documented improvements.
- To be eligible for cash-out an applicant must have owned the property for a minimum of 6 months, otherwise, cash-out LTV will be limited to the lesser of 70% of the original cost or 70% LTV.
- Cash-out Seasoning of less than (6) months is not allowed when the prior transaction was also cash-out (as determined by the final Closing Disclosure or Settlement Statement).
- Cash-Out Seasoning of six (6) months or less is allowed with the following restrictions:
  - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).

  At least one of the following must exist:
    - No mortgage financing was used to obtain the property;
    - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to a trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale.);
    - The preliminary title search or report must confirm that there are no existing liens on the subject property or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note;
    - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note;
    - The lender has documented that the Borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
    - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.

Cash Out Refinance (Debt Consolidation)

Not allowed if any debts intended for payoff are personal debts (loan proceeds can only be for business use only)

Eligible Transactions: Ineligible Non-Arm's Length & Interested Party Transactions

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with the subject property Builder, Developer, or Seller.

When the property seller is a corporation, partnership, or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

The following transactions not allowed:

- Purchase between family members
- Renter(s) purchasing from Landlord
- A non-arm's length transaction to bail out a family member who has had difficulties making their mortgage payment
- The seller's real estate agent for the subject property also acting as the loan officer for the borrower(s) purchasing the same subject property
- Employer to employee sales or transfers
- Property trades between buyer and seller.

A Letter of Explanation regarding the relationship between the parties may be required.

Eligible Transactions: Eligible Non-Arm's Length & Interested Party Transaction

Buyer(s)/Borrower(s) representing themselves as an agent in real estate transactions can be allowed provided that any commission earned by the buyer/borrower is not used for the down payment, closing costs, or monthly PITIAA reserves.

Seller(s) representing themselves as an agent in real estate is allowed.

Limitations on Financed Properties

No maximum of financed properties for investment property DSCR loans. However, each property held personally or in closely held legal entities must be:

- Listed on the REO Schedule of the 1003
- Must complete the following fields on the 1003 REO Schedule: Address, Status, Type, Value Estimate, Mortgage amount(s)
- Must list any REO mortgage balances in the 1003 Liabilities section
- Must verify a minimum 12-month payment history on each mortgage liability

FundLoans' exposure to a single borrower shall not exceed $15,000,000 in current UPB or six (6) properties.

All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. The total reserve requirement is not to exceed twelve (12) months

CITIZENSHIP / RESIDENCY

Citizen/Residency: U.S. Citizens:

Eligible without restrictions

Citizen/Residency: Permanent Resident Aliens

Eligible without guideline restrictions

Acceptable evidence of permanent residency includes 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 the expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) has an the 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."

Citizen/Residency: Non-Permanent Resident Alien:

Eligible without guideline restrictions

Legal Status Documentation:
Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1 B, L-1, NATO, O-1, R-1, TN NAFTA
Visa must be current, if the VISA will expire within six (6) months following the closing date, additional documentation is required: evidence that the proper extension steps have been followed per the U.S. Citizenship and Immigration Services (USCIS) website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.

When applicable, a valid Employment Authorization Document (EAD) is required for US employment if borrower is not sponsored by a current employer. If the EAD will expire within six (6) months of the loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted. If the borrower filed a Form I-765 renewal application on or after May 4, 2022, USCIS will send them a Form I-797C Notice of Action receipt notice that has information regarding the up to 540-day automatic extension. If the borrower is eligible for the automatic extension, the receipt notice, together with the unexpired EAD (and the borrower's unexpired Form I-94, if the borrower is an H-4, E, or L-2 dependent spouse, including E-1, E-2S, E-3S and L2S class of admission codes) will serve as acceptable proof of employment authorization and/or EAD validity during the up to 540-day automatic extension period.

C series EAD cards are NOT acceptable.

See related USCIS link for further information: https://www.uscis.gov/eadautoextend

Citizen/Residency: Foreign National

A foreign national is a non-resident alien who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the Borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

Foreign National Program Specific Documentation Requirements:

- First Time Home Buyers not allowed, but only requires one documented REO to meet investor experience requirements (any occupancy type, in any country).
- DSCR 1.0 or greater required.
- A complete 1003 loan application is required on all loan files reflecting the Borrower's full name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. Additional phone numbers to assist credit vendors in contacting the Borrower, such as cell, land, or business should be obtained, and the Borrower Contact Consent Form may be utilized for this purpose.
- Copy of the Borrower's valid and unexpired passport (including photograph)
- Copy of the Borrower's valid and unexpired visa (including photograph) OR a 1-797 form with valid extension dates and 1-94. Borrowers from countries participating In the State Department's Visa Waiver Program (VWP)are not required to provide a valid visa. Participating countries can be found at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver- program.html?_ga=2.125166415.450606013.1608130154-1471710111.1599835867.
- If a non-U.S. citizen is borrowing with a U.S. citizen, Foreign National documentation requirements still apply.

- All parties involved in the transaction must be screened through exclusionary lists, must be cleared through OFAC's SND list, a search of Specially Designated Nationals & Blocked Persons List may be completed via US Department of Treasury: https://sanctionssearch.ofac.treas.gov/
- Borrowers from OFAC sanctioned countries are ineligible https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information
- Individuals with Diplomatic immunity not eligible http://www.state.gov/s/cpr/rls
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.
- Power of Attorney (POA) is not allowed.

Citizen/Residency: Ineligible Applicants

Ineligible applicants include:

- Irrevocable Trust
- Land Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to a 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 FNMA guidelines for all definitions of eligibility status.

VESTING

Acceptable forms of vesting are:

- Individual(s): as Tenants in Common or Joint Tenants (and like tenancies)
- Inter Vivos Revocable Trusts
- Business Entity (LLC, Ltd/Gen Partnerships, Corps, S-Corps)

Vesting: Individuals – Power of Attorney

A Limited Power of Attorney (POA) is acceptable when the following requirements are met:

- POA is specific to the transaction
- If not already recorded, POA is in recordable form and recorded with the Mortgage/Deed of Trust Contains an expiration date
- Used only to execute the final loan documents (Borrower represented by the POA shall have signed the initial 1003)
- No interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as the Power of Attorney
- Cannot be used with cash-out transactions

Vesting: Inter Vivos Revocable Trust

FundLoans allows title vesting in Revocable Trusts but does not base its lending decision on income or credit of the Trust. FundLoans only makes loans to individual borrowers, who may choose to have title vested in a Revocable Trust for their convenience.

An Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types.

The trust must meet the following standards:

- The trust must be established by one or more natural persons, solely or jointly.
- The primary beneficiary of the trust must be the individual(s) establishing the trust.
- The trust must become effective during the lifetime of the person establishing the trust.
- If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust.

One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage. The following documentation is required:

- A complete copy of the trust documents certified by the Borrower to be accurate or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file.
- Attorney’s Opinion Letter (see Appendix of this guide) from the Borrower’s attorney or Certificate of Trust verifying all the following:
    - The trust is revocable,
    - The trust was validly created and is duly existing under applicable law,
    - The Borrower is the settler of the trust and the beneficiary of the trust,
    - The trust assets may be used as collateral for a loan,
        - The trustee is:
            - Duly qualified under applicable law to serve as trustee,
            - The Borrower,
            - The settler,
            - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

NOTE: A Power of Attorney (POA) may not be used to execute loan documents on behalf of the Trustee/Borrower

Vesting: Business Entities (LLC, Corp, S-Corp, Partnership)

FundLoans allows title vesting in business entities but does not base its lending decision on the income or credit of the business entity. FundLoans only makes loans to individual applicants/borrowers, who may choose to have title vested in a business entity for their convenience.

Vesting in the name of an LLC, partnership, or corporation is acceptable on investment property transactions only.

To vest a loan in an Entity, the following requirements must be met:

- Business purpose and activities are limited to ownership and management of the real estate
- Loans to be vested in the name of a Business Entity will be limited to a maximum of 4 individual applicants/members (aka members, partners, or shareholders) Any of the members that choose to become a borrower must complete 1003. The loan application, credit report, income, and assets for each applicant will be used to determine qualification and pricing.
- Each Entity owner must receive notice of the loan and its terms prior to closing
- All Business Entity owners must sign FundLoans' Limited Liability Company Borrowing Certificate acknowledging the Borrower(s) financing of the subject property.

The following Entity documentation must be provided:

- Entity Articles of Organization, Partnership, and Operating Agreements (if applicable)
- Tax Identification Number
- Certificate of Good Standing

No broker shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the owners of the Entity.

Documents must be completed and signed as follows:

- Business Purpose and Occupancy Affidavit – signed by each Borrower
- Loan Application (1003):
    - Completed and signed by each Borrowing Member
    - 1003 section labeled "Title will be held in what Name(s)" should be completed with only the Entity name Disclosures (GFE, TIL, Notice of Intent to Proceed, Servicing Disclosure, etc.) - completed and signed by each owner Guaranty - completed and signed by each owner (or 'Guarantor')

Closing Disclosure completed and signed by each borrowing member

Other Closing Documents (Final TIL, Business Purpose and Occupancy Affidavit, etc.) completed by each Borrowing Member

Vesting: Ineligible Vesting

- Irrevocable Trust
- Land Trust
- IRA's
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction

INCOME

Income: Income Overview

The Spectrum program is based solely on the debt service coverage ratio (DSCR) of the investment subject property. There is no need to disclose employment information for any applicant and verification of an applicant's income is not required.

The initial 1003 Loan Application requires the applicants to list all properties in their possession (rented & owned) via a complete residence history for the past two years and a partially completed Schedule of Real Estate Owned. Since the market rents and cash flows of the non-subject properties are not considered in a DSCR program, certain fields can be left blank, including Gross Income, Payments, Taxes, Net Income. All other fields (Location/Market Value/Mortgage Amounts) should be completed at the time of the Initial 1003 and must be complete by the time of the Final 1003.

[NOTE: 3rd party vendor reports will be ordered to validate/identify "Properties Owned" for each applicant. All potential findings must be disclosed initially]. Once sufficient documentation about the property's rental income, loan terms, real estate tax, hazard/flood insurance & HOA dues (if applicable) are obtained, a Debt Service Coverage Ratio will be determined.
Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

**Note: Qualification Rates vary between Fixed/ARM/Interest-Only product types.

Income: DSCR Calculation

Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA (or ITIA if interest only) of the subject property. See Matrix for required Debt Service Coverage Ratios.

Gross rents divided by PITIA = DSCR

Income: Purchase Transactions

Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents. If the subject property is currently tenant occupied with a lease in place, lesser of the lease or the appraiser's opinion of market value rent is used.

The property cannot serve as the Borrower's primary residence (2-4 units) or second home (IRS: more than 2 weeks personal use per year) to qualify as a "business purpose" loan

Income: Refinance Transactions

Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents. If the subject property is currently tenant occupied with a lease in place, lesser of the lease or the appraiser's opinion of market value rent is used.

If no current lease, use appraiser's opinion of market value rent with:

- A letter of explanation is provided, and the explanation is corroborated, as to why the property was not in service as a rental in the past year, or not currently subject to a lease; and
- Document property is currently advertised for rent.

Current Long-Term Lease Agreement can be used if greater than market rent with 2 months proof receipt of rental income and the lease amount must be within 125% of the estimated market rent from the 1007 or 1025. If the actual rent exceeds the market more than 125%, the rents are capped at 125%.

Income: Short Term Rentals (STR)

Short term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. It must be highly rational that the property is appropriate for STR use (i.e. vacation area).

STR income can be used when DSCR is over 1.00. Use of STR income for refinance must show minimum of 12 months realized rents.

DSCR calculation:

- Monthly gross rents based upon a 12-month average to account for seasonality required.
- Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
- (Gross Rents * .80) divided by PITIA = DSCR.

Any of the following methods may be used to determine gross monthly rental income:

- A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents (PURCHASE ONLY).
- The most recent 12-month rental history statement from the 3rd party rental/management service. The statement must identify the subject property/unit, rents collected for the previous 12 months, and all vendor management fees. The rental income will exclude all vendor or management fees.
- The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
- PURCHASE ONLY:
  AIRDNA Rentalizer and Overview reports (allowed for Purchase Transactions only) must meet the following requirements:
  - Rentalizer
    - Forecast Period must cover 12 months from the Note date
    - The occupancy rate must be > 60%
    - Must have five (5) comparable properties, all within the same ZIP code
    - Must be similar in size, room count, amenities, availability, and occupancy
  - Overview report
    - Market score by zip code
    - Market grade must be 60 or greater
    - Income calculation: Projected Revenue * .80 / 12

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income.

- On a purchase transaction, the appraiser’s opinion of market rent may be utilized.
- On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of the most recent one month’s rental income.

In all cases, the appraiser must be able to verify with the building department that the accessory unit is

a.) legal (per building code)/common to the area and
b.) may legally be rented (permissible use – zoning)

PROPERTY ELIGIBILITY

Property Eligibility: Appraisals

Full Interior / Exterior appraisal(s) are required as follows:

Form 1004: 1 Unit and PUDs

Form 1073: Condominiums

Form 1025: 2-4 Units

Form 1007: Rental Property Income
Form 1004D: Updates or Completion Reports

Appraisals must be ordered using one of two processes: either ordered through an Appraisal Management Company that complies with USPAP and Appraiser Independence Requirements (AIR); or, via FundLoans own AIR compliant process (Appraisal Firewall). Satisfactory documentation that the appraisal is compliant must be provided for all transactions.

Transferred appraisal is allowed as long as proof of AIR compliance has been met and a satisfactory executed transfer letter from the previous lender is provided. FundLoans, at its discretion, can require additional appraisal products.

The appraisal must be done within the 120 days that precede the date of the note and mortgage. When an appraisal report will be more than four months old on the date of the note and mortgage, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D). The appraisal update must occur within the four months that precede the date of the note and mortgage.

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

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

Regardless of state, FundLoans policy is to require appraisals to include photos of smoke detectors. Carbon Monoxide (CO) detectors are required as noted by the Appraiser on the appraisal.

Property Eligibility: Collateral Desk Assessment

All loan amounts less than $2,000,000 a Collateral Desk Assessment (CDA) must be ordered.

If the CDA reflects a value more than 10% below the appraised value or cannot provide validation, a second appraisal will be required. The second appraisal must be from a different appraisal company than the first and a different appraiser than appears on the original appraisal.

Property Eligibility: Second Appraisal

A Second Appraisal will be required when:

- Loan Amount exceeds $2,000,000.
- The transaction is a flip as defined in the Property Flipping section of this guide.

When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals.

If a second appraisal is not provided from an approved FundLoans AMC, then an AIR compliant appraisal may be accepted on a case-by-case basis. FundLoans, at its discretion, can request an additional Appraisal Product.

Property Eligibility: Ineligible Properties

Properties not eligible for FundLoans funding:

1. Properties for which the appraisal indicates:
    - Condition ratings of C5 or C6
    - Quality ratings of Q5 (case-by-case basis) or Q6
2. Rural/Non-Conforming Properties
3. Properties with square footage below practical norms:

- SFR: 700 S Ft
- 2-4 Family Living Unit: 400 Sq Ft per Unit
- Condo Unit : 500 Sq Ft

4. Mixed-Use Properties
5. Vacant Land (including blanket mortgages of residence on lot included with additional buildable vacant lots)
6. Agricultural properties that accommodate existing farms, ranches, orchards
7. Manufactured, Mobile, Modular Homes
8. Assisted Living Facilities (if residential in nature then on a case-by-case basis, max 65% LTV)
9. Properties with zoning violations (unless granted permissible use permit), non-building permitted additions without code compliance clearances. FundLoans will consider a purchase if the issue has been corrected prior to the loan funding with proper documentation.
10. Geodesic dome homes
11. Houseboats
12. Log Cabin/Log Homes *including those in “out of place” settings
13. Timeshares
14. Homes with mandatory Country Club Memberships
15. Properties in Lava Zones 1 or 2
16. Homes on Native lands (or any parcels with restrictions on reconveyance and/or limits on the legal enforcement of foreclosure rights)
17. Co-ops

Property Eligibility: Escrow Holdbacks

FundLoans will not typically fund any loan with an escrow holdback unless a repair is projected to be very short term (completion 2-3 weeks after Note date). Unfinished pools are never allowed for escrow holdback. In those instances, bids for the proposed repair are required, 1 ½ time the cost must be held in a repair escrow fund to be held by the settlement agent until a Form 1004 D inspection confirms the completion of the work and any/all mechanics liens are satisfied.

Originator compensation will be held back until escrow release.

Otherwise, any repair or maintenance required by the appraiser must be completed prior to loan funding.

Property Eligibility: ADU

The following describes the requirements for classifying an ADU.

- ADU’s are only permitted on one-unit properties and are not permitted with any two-four unit property.
- The ADU must:
  - be subordinate in size to the primary dwelling.
  - have the following separate features from the primary dwelling:
  - means of ingress/egress,
  - kitchen,
  - sleeping area,
  - bathing area, and
  - bathroom facilities.
- The ADU may, but is not required to, include access to the primary dwelling. However, it is not considered an ADU if it can only be accessed through the primary dwelling or the area is open to the primary dwelling with no expectation of privacy.
- The kitchen must, at a minimum, contain the following:

- o cabinets;
- o a countertop;
- o a sink with running water; and
- o a stove or stove hookup (hotplates, microwaves, or toaster ovens are not acceptable stove substitutes).
- o An independent second kitchen by itself does not constitute an ADU.

NOTE: The removal of a stove does not change the ADU classification.

- Some ADUs may predate the adoption of the local zoning ordinance and therefore be classified as legal nonconforming. An ADU should always be considered legal if it is allowed under the current zoning code for the subject property.

If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions:

- o The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
- o The appraisal requirements related to zoning for an ADU are met. See FNMA Section B4-1.3-05.

Property Eligibility: Multiple Accessory Units

On a case-by-case basis and subject to additional pricing overlays, if any, a property containing multiple ADUs is eligible under the following conditions:

- The property is defined as a one-unit property;
- Zoning permits multiple ADUs;
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use and same number of ADUs as the subject, and lender can verify the ADU is:
  - a.) legal (per building code); and
  - b.) may legally be rented (permissible use – zoning).

ADU rental income, when allowed to be used under Income sections of these guidelines, must be documented on FNMA Form 1007 in addition to any other requirements hereunder (copy of the current lease, two (2) months proof of receipt of rent, etc.).

Unpermitted ADUs may exist on a property but must be given no value in the appraisal, and rental income from the unit will not be considered.

Property Eligibility: Property Flipping

For properties acquired by the seller of the property within 6 months of the new contract date where the contract price exceeds the seller's acquisition price by the following:

- More than a 10% price increase if the seller acquired the property in the past 90 days;
- More than a 20% price increase if the seller acquired the property in the past 91-180 days.

The following additional requirements apply:

- Second appraisal required from a FundLoans Approved AMC, (The second appraisal must be provided to the borrower in accordance with either the ECOA or HPML requirements, whichever applies);
- Second appraisal must be dated/delivered 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.)

Property Eligibility: Leasehold Properties

In areas where leasehold estates are commonly accepted (as corroborated via the Appraisal), loans secured by leasehold estates are eligible for funding if all requirements of Fannie Mae Seller Guide Section B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates are met.

Leaseholds must expire at least 5 years after the loan maturity and must be reviewed by FundLoans' Legal Department.

Property Eligibility: Disaster Area Declarations

FundLoans and its Brokers share responsibility for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected.

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at: http://www.fema.gov/news/disasters.fema.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Appraisals Completed Prior to End of Disaster Declaration (Loans not yet funded): An interior and exterior inspection of the subject property, performed by the original appraiser, if possible, is required. The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.

Inspection report must include photographs of the subject property and street view. Any damage must be repaired and re-inspected prior to funding.

Appraisals Completed After the End of Disaster Declaration (Loans not yet funded): Appraiser must comment on the adverse event and certify that there has been no effect on the Marketing Addendum data that could impact the valuation in the near future. Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

Disaster Occurs After Loan Signing but Prior to Funding: Loan is ineligible for funding until the disaster is declared "ended" by FEMA and an inspection is obtained using one of the following options:

- A Post Disaster Inspection (PDI) Report from Clear Capital or
- The equivalent from another AMC vendor

Any indication of damage reflected on the report will require a re-inspection by the appraiser.

The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the event and certify that there has been no change to the value.

Property Eligibility: Condominiums

FundLoans Capital will not purchase loans secured by units in any condo project identified by FNMA as

"Unavailable" by Condo Project Manager (CPM), with the exception of a condo hotel.

- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- FundLoans project exposure maximum shall be $5,000,000 or 20% of the total units in the project, whichever is lower.

Established Condo Project, New Condo Project, and Detached (site) Condo Project are as defined by Fannie Mae Seller Guide Section B4-2.1-01

Requirements Applicable to All Condominiums:

- Requirements specific to the project review method used to determine that project's eligibility;
- Property eligibility requirements (described in Property Eligibility sections);
- Priority of common expense assessments (described below);
- When an appraisal of the property is obtained, it must meet all applicable appraisal requirements (described in the Property Eligibility section); and
- Fannie Mae insurance requirements for Liability, Fidelity/Crime and Hazard Insurance Requirements for the HOA and the individual units

Property Eligibility: Condominiums: Priority of Common Expense Assessments

Regular common expense assessments (typically known as HOA fees) that may have priority over the mortgage lien are as defined in Fannie Mae Seller Guide Section B4-2.1-01 "Priority of Common Expense Assessments."

Property Eligibility: Condominiums: Condominium Review Types:

FundLoans follows FannieMae's Review Types.

Property Eligibility: Condominiums: Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission
- Timeshare or Projects that restrict the owner's ability to occupy the unit.
- New Condo conversion completed less than 2 years
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs
- Any project in which a single entity owns more than 25% of the total number of units (Projects that have 5-19 Units, one owner can own two units)
- Multi-family units where a single deed has ownership of more than one or all of the units
- Project where more than 50% of total square footage in the project or in the building that the project is located in is used for non-residential purposes
- Fragmented or segmented ownership (limited to a specific period on a recurring basis i.e., Timeshare)
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (can't be rebuilt to current density)
- Project units sold with excessive Seller contributions that may affect the re-sale value of the subject property
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well managed or in poor physical or financial condition w/ obvious

neglected repairs

- Projects with excessive special assessments (in excess of 200% of comparable projects dues/assessments combined)

Property Eligibility: Condominiums: Non-Warrantable Condos

Non-Warrantable Condo Limits: 5% below matrix LTV with more than two condo exceptions.

Features	Requirements
Commercial Space	• 50% Allowed (FNMA 35%)
HOA Control	• 80% Investment allowed (FNMA 50%) • Unlimited for primary residence and second home
Single Entity Ownership	• 25% allowed (FNMA 20%)
Reserves	• 7% of the budget must be for the funding of replacement reserves for capital expenditures and deferred maintenace (FNMA 10%)
HOA Dues	• No more than 20% can be 60 days or more past due. (FNMA 25%)
Other	• Considered on a case-by-case basis

Property Eligibility: Condominiums: Budget And Reserve Fund Balance:

A minimum of 10% of the association's annual budget should provide for the funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows:

- 7% to 9.99% requires a Reserve Fund balance of 50% of the annual budget
- 5% to 6.99% requires a Reserve Fund balance of 75% of the annual budget
- 3% to 4.99% requires a Reserve Fund balance of 100% of the annual budget

Property Eligibility: Condominiums: Condominium Hotel – (a.k.a. Condo Hotel, Condotel)

Projects that are managed and operated as a hotel or motel, even though the units are individually owned OR a project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.

Investor concentration, within the subject project, may exceed established project criteria, up to 100%.

Maximum LTV/CLTV (may vary by product – see Loan/LTV matrix):

- Gross rents (for all income doc types) reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
- Minimum square footage: 500
- Fully functioning kitchen – define as full-size appliances including a refrigerator and stove/oven
- Bedroom required.

Ineligible:

- Properties with hotel, motel in name. Converted hotel or motel.
- Projects with less than 10 units.

- Properties that are not located in a resort/destination area (i.e. beach, ski, lake)

Property Eligibility: Condominiums: Florida Condominiums

For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statue 533.889.

- For projects not in compliance with this statue, financing is not eligible.
- For projects meeting compliance, financing is eligible subject to a 5% LTV reduction

CREDIT

Credit Report

Credit Report: Social Security Number

A valid Social Security Number is required for all Borrowers with US Citizenship and/or Permanent Resident Aliens.

Credit Report: Standard Tradelines

A Residential Mortgage Credit Report (RMCR), requesting information from all three bureaus, is required for each borrower. At least 2 of the 3 credit bureaus must report information or the borrower must be treated as having a Non-Traditional Credit profile. The credit report should include the results of public record searches for each city where the individual has resided in the last 2 years.

Standard Tradelines - Each borrower must have:

- 3 tradelines w/ at least 12 months reviewed and activity reported in the past 12 months OR
- 2 tradelines w/ at least 24 months reviewed, and activity reported in the past 12 months

Valid tradelines have the below characteristics:

- The credit line must be reflected on the borrower’s credit report and may include self-reported utilities
- The account must have activity in the last 12 months but may be open or closed
- An acceptable 12 or 24-month housing history not reporting on credit may also be used as a tradeline (VOR with credit supplement and may come from either a private party or property management company).

Credit Report: Unacceptable Tradelines

Examples of unacceptable tradelines include:

- Loans in a deferment period (Student loans can be counted as tradelines as long as they are in repayment and are not deferred)
- Collection or charged-off accounts,
- Accounts discharged through bankruptcy, and
- Authorized user accounts (unless evidence is provided that 24 consecutive payments have been made by our buyers directly to the creditor via canceled checks/auto pay / ACH records)
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales
- Any account currently 90 days late

Credit Report: Limited Tradelines

If Standard Tradelines requirements are not met and the borrower has a valid credit score per Credit Score section of this guide the following restrictions apply:

- Minimum 1 open/active account for 24 months

- Max LTV/CLTV of 50%

Credit Report: Permanent Resident Alien

Must meet one of the tradeline options above.

Credit Report: Foreign National Credit

One (1) traditional or non-traditional credit line or reference is required (i.e., bank reference, attorney reference, housing reference, etc.). The tradelines evidenced via credit reference letters must originate from verified financial institutions in the Borrower's country of origin or documented work locations or a combination of both. Letter of reference must state the type and length of the relationship, how the account was held, the payment amount, outstanding balance, and status of the account, including minimum12-month payment history. A single reference source may provide verification of multiple accounts. Individual account detail must be provided for each tradeline proposed.

The letter must mention:

- Borrower (by name)
- Name, title & contact information of the person signing the letter, website if applicable.
- Currency must be converted to U.S. Dollars and signed and dated by a certified translator.
- All documents must be translated into English by a certified third-party translation service
- Must provide translation certification

Credit History

Credit History: Ineligible Applicants

Ineligible applicants include:

- ITIN Borrowers
- Irrevocable Trust
- Land Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Borrowers from OFAC sanctioned countries
- Politically exposed borrowers
- Any material parties (company or individual) to a 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.
- Business (will vest in business name with Personal Guaranty only)

Credit History: FICO Score Method

The lowest indicator score of all applicants is used as the Representative Credit Score for each loan. Select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided. All applicants must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirical), and Equifax (Beacon). Only scores from these agencies are acceptable. Credit score codes should be consistent with tradeline information and use. Credit scores that do not appear to represent an accurate assessment of the Borrower's credit risk will not be considered valid and usable.

A gap report is required and should be dated within 10 business days of the Note date.

Credit History: Rapid Rescore

Rapid Rescores of credit are permitted to confirm the effect of pay down/ payoff of debt, the correction of reporting errors, the impact of additional months of payment rating/account aging. The updated credit scores will be used whether the score has improved or declined.

If the generation of a new credit report (and resulting revision to FICO scores) is more convenient for the borrower following the processing of debt pay down or payoff, a newly updated credit report can be substituted for the original credit report.

Credit History: Accounts Not Appearing on Credit Reports

Accounts that are not verified on the credit report must be verified with either a written direct verification or an acceptable alternative.

- Private Mortgage Ratings:
  - Subject Mortgage - Cancelled Checks or month-by-month Servicing Ledger / Pay History
  - Non-Subject Mortgage: Written Verification of Loan
- Professional Rental Property Manager: Written Verification of Rent
- Property Owner Managed Rental:
  - For current residence – up to 12 months Cancelled Checks and Copy of Lease
    - If 12 months canceled checks cannot be provided, an Owner Managed Written Verification of Rent is allowed provided the following:
      - Minimum 660 credit score
      - LTV reduction of 5%
  - For prior residence – Written Verification of Rent completed by Property Owner
- Non-Reporting Installment/Revolving Debt: Written Verification of Loan
- Asset-secured Loans: Copy of consecutive statements showing payment postings

Credit History: Housing Expense

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments.

Subject property and primary must be fully documented with regard to housing obligations including:

- Mortgage balances and pay histories
- Property taxes
- Insurance premiums (Hazard, Flood, Earthquake, Lava Flow)
- Homeowners Association Dues and
- Charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments.

These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

Credit History: Housing Payment History

Each loan application must include a fully documented, recent, consecutive, 24-month housing history and provide mortgage/housing payment history for a minimum of the 12 months leading up to the application date. On these non-owner-occupied transactions, a mortgage/housing history is required on the subject property and primary residence only.

- All personally held OREO properties must be disclosed on the 1003 and reserves calculated accordingly as required under Assets: Reserves of these guides.

- All mortgages reported on the credit report must be current at time of closing.
- Mortgages other than subject and primary not on the credit report do not require a rating or payment documentation (e.g. statement, taxes, insurance) unless credit report or fraud report reflects a past due status or foreclosure activity, in which case, a rating is required and additional documentation must be submitted as necessary to verify the account is current.

0x30-day lates in the last 12 months is the expected payment history on any mortgage/rent for all borrowers combined.

Expected payment history is 0x30x24 months.

Housing late payments exceeding 1x60x24 months require a letter of explanation from the Borrower. The situation causing the late payment must be explained and must appear to the underwriter as isolated and non-recurring for the Spectrum program

If there are multiple borrowers on the loan, only one of the borrowers must have a primary housing history

If a property is owned free and clear and the applicant/owner is current with real estate taxes, insurance, and/or HOA dues, the mortgage/housing history will be treated as 0x30x24 for credit grade determination.

Credit History: Verification of Mortgage

- An institutional Verification of Mortgage (VOM)
- Images of canceled checks (front and back)
- Bank statements showing ACH transaction

A combination of mortgage and rent verification may be provided to complete a 12-month housing payment history. When the borrower moved from rental to ownership a gap month is acceptable from the end of the rental period to the first payment due date, if applicable.

Credit History: Incomplete Housing History in last 12 months

Borrower(s) who own their primary residence free and clear aren't considered living rent-free. Documentation of timely payment of Real Estate Tax and Hazard Insurance are sufficient evidence of timely 12 months (or 24 months) housing history payment.

- Borrowers who do not have a complete 12-month housing history are subject to the following restrictions:
  - Minimum 12 months reserves after closing
  - VOR/VOM must be obtained for all months available reflecting paid-as-agreed

If the Borrower indicates that they are living rent-free the following will be required:

- A signed letter from the owner/primary resident of the home must be provided verifying that the Borrower is living rent-free.
- The letter needs to indicate the relationship between the borrower and owner/primary resident and the reason why the Borrower is living rent-free at the home.

Borrowers whose Bank statements show large regular monthly expenditures that do not match monthly payments on the credit report will be asked to provide images of checks to verify that the expenditures are not undisclosed housing-related payments. Typically LTV will be limited to 65% or the program maximum, whichever is lower and the minimum FICO will be 720.

Borrowers who lack a primary mortgage/housing history or do not have a complete history as required by the program guidelines are eligible if the following is met:

- The Borrower has a fully documented, recent, consecutive 12 or 24-month mortgage history, as required by program guidelines, on a separate personally held investment property.
- The Borrower and transaction meets all the requirements under Programs: Borrower Eligibility: First-Time Investor.

Credit History: Past Due Balloon Payment on Existing Mortgage

Balloon mortgages (for lenders other than FundLoans) on the subject property that have passed their due-in-full date while the Borrower was seeking financing will not be considered a derogatory housing event if it can be shown that the Borrower was actively seeking financing before the due date and the mortgage will be paid in full via the refinance within 60 days of the original maturity date of the balloon mortgage.

Adverse Credit

Adverse Credit: Seasoning

The waiting period commences on the completion, discharge, or dismissal date of the derogatory credit event and ends on the disbursement date of the new loan unless otherwise noted.

Adverse Credit: Delinquent Credit of Ex-Spouse

Court-ordered debts - A copy of the court order assigning the debt to another party is required.

Delinquent credit assigned to an ex- spouse in a court order- can be excluded if disallowed credit events occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse.

Adverse Credit: BK/FC/SS/DIL/Forbearance or Modification

For any adverse credit/housing event listed below, superior pricing and LTV's require 4-year seasoning. Minimum 2-year seasoning required with reduced LTV's and additional LLPA's (see matrix and rate sheet for more information.) When under 4 years of seasoning, new 0x30x12 housing history needs to be reestablished.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

Adverse Credit: Bankruptcy History

Recent bankruptcies are allowed, all bankruptcies must be settled at the time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date.

All bankruptcies must be discharged or dismissed for the minimum number of months from the closing date as shown on the Matrix. See Matrix for specific details.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

Adverse Credit: Foreclosure Seasoning

Seasoning of a foreclosure is measured from the settlement date (final property transfer) to the note date.

Foreclosure must be seasoned for the minimum number of months from the closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

Adverse Credit: Short Sale / Deed in Lieu Seasoning

Seasoning of a short sale or deed-in-lieu is measured from the settlement date (sale or final property transfer) to the note date.

Short sale or deed-in-lieu must be seasoned for the minimum number of months from the closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

Adverse Credit: Forbearance or Modification

Forbearance or mortgage loan modification resulting in any of the attributes listed below is considered a Housing Event and must be seasoned accordingly (see Matrix for Details)

- Length of time of any mortgage forbearance is limited to 12 months
- Forgiveness of a portion of principal and/or interest on either the first or second mortgage
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
- Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage
- Conversion of any portion of the original mortgage debt from secured to unsecured

A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

Adverse Credit: Unresolved Disputed Installment & Revolving Accounts

The following guidelines can be utilized to address disputed accounts:

- Account with zero balance and no derogatory information – no action required
- Account with a positive balance and no derogatory information – no action necessary
- Account with zero balance and derogatory information – LOE & pull a new credit report to remove
- Account with a positive balance and derogatory information – LOE & pull a new credit report to remove.

Note: A credit supplement is not allowed to document disputed accounts. A new report must be pulled.

Every reasonable attempt should be made to resolve the dispute and obtain an updated credit report/FICO score.

Disputed accounts do not need to be removed under the following circumstances:

- Non-derogatory disputed accounts with zero balance.
- Disputed medical collections.
- Disputed derogatory credit resulting from identity theft, credit card theft, or unauthorized use.

To exclude these balances, a copy of the police report or other documentation from the creditor to support the status of the accounts.

Adverse Credit: Collections/Charge-Offs

A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge-off date.

Open adverse credit must generally be paid off prior to or at closing, however, if an individual account balance is under $1,000 and the aggregate of accounts outstanding is under $1,000 it may remain open.

The following accounts may remain open:

- Collections and charge-offs < 24 months old with a maximum cumulative balance of $2,000
- Collections and charge-offs ≥ 24 months old with a maximum of $2,500 per occurrence
- Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)
- All medical collections

Note: Collection and charge-off balances exceeding the amounts listed above must be paid in full under any program.

Collection and charge-off account balances remaining after the exclusions listed above may remain open when the borrower has sufficient reserves from existing assets (cash-out cannot be used) to cover remaining collection and charge-off balances (in addition to meeting all down payment/cash-to-close/required reserves).

A combination of the two options above is allowed.

Adverse Credit: Past Due Installment Debt

Past due installment debts must be brought current before closing. Small balance revolving debts can be no more than 30 days past due at the time of closing and can be left unpaid if the aggregate balance of all overdue revolving debt is less than $250

Adverse Credit: Judgments/Tax Liens

Judgments and tax liens may remain open under the following conditions:

- Must be on a repayment agreement seasoned a minimum of 3 months
- Must document the most recent 12 months' payments (or payments-to-date if an agreement has been in place less than 12 months) have been made in a timely manner
- For refinances, if the judgment or tax lien is recorded against the property it must be subordinated and the program's LTV/CLTV limits must be calculated with the subordinated lien considered.

If the conditions above are not met, the judgment or tax lien must be paid off prior to or at closing and cash-out proceeds may be utilized for this purpose.

For tax liens, the title company must provide written confirmation confirming:

- the title company is aware of the outstanding tax lien, and
- there is no impact to first lien position

Adverse Credit: Medical Collections

Medical collections may remain open regardless of the amount.

Adverse Credit: Lawsuits

If the application, title, or credit documents indicate that the borrower is involved in a lawsuit or litigation, additional documentation is required. (e.g., attorney's explanation, copy of the complaint, and/or other supporting documentation). The title company closing the loan must provide a letter stating affirmative coverage of the subject lien position.

Generally, lawsuits and pending litigation are not eligible under the FundLoans Program, but situations in which the lawsuit or pending litigation can be determined not to have a meaningful impact on the borrower's ability to repay the mortgage may be permitted.

LIABILITIES

Unless otherwise refenced elsewhere in these guidelines, FundLoans follows FNMA Single Family Guidelines.

ASSETS

Assets: Documentation Options

Various forms of documentation are acceptable depending on the borrower's asset type. Assets and reserves should be calculated and documented to Fannie Mae guidelines unless otherwise specified in FundLoans guidelines.

Assets: Large Deposits

Large deposits do not need to be sourced on Investor Solutions – DSCR loans.

Assets: Cryptocurrency

Cryptocurrency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves, provided the following requirements are met:

- there is documented evidence that the virtual currency has been exchanged into U.S. dollars and is held in the U.S. or state-regulated financial institutions,
- and the funds are verified in U.S. dollars prior to the loan closing.

A large deposit may be from a virtual currency that was exchanged into U.S. dollars. The lender must obtain sufficient documentation to verify the funds originated from the borrower's virtual currency account.

Virtual currency may not be used for the deposit on the sales contract (earnest money) for the purchase of the subject property.

Assets: Asset Types

Assets: Asset Types: Depository Assets:

Depository assets (checking and savings accounts, money market funds, and certificates of deposit) require:

- Two consecutive monthly bank statements (60 days of account activity, all pages); or
- Verification using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process; or
- Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).

Monthly bank statements must be dated within 45 days of the initial loan application date.

Quarterly bank statements must be dated within 90 days of the initial loan application date, and the lender must confirm that the funds in the account have not been transferred to another asset account that is verified with more current documentation.

Assets: Asset Types: Bridge Loan:

Bridge loans should also be considered in the Net Equity calculation for properties that are Pending Sale. (In other words, the amount of the bridge loan should be subtracted from the net proceeds to avoid counting this asset twice.)

Assets: Asset Types: Earnest Money Deposits:

Earnest Money must be documented and come from a sourced and seasoned bank account. Earnest Monies failing documentation standards can be resent from a sourced and seasoned account (with an overpayment of Earnest Money being refunded to the applicant following the transfer).

Earnest Money is considered seasoned when supported by payroll/income deposits in the 60 days leading up to the withdrawal of Earnest Money. Non-payroll/income deposits need to be sourced to determine if they are an acceptable source of closing cash. Fannie Mae guides on acceptable sources of down payment and closing costs can be used.

Assets: Asset Types: Gift Funds:

Gift funds are allowed after 10% of borrower's own funds are applied to the down payment. See matrix for LTV and Loan Amount restrictions.

Gift funds not allowed for reserve requirements.

Gift of Equity is not allowed.

Acceptable donors, documentation and verification of gifts follow Fannie Mae Seller Guide Section B3-4.3-04. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Assets: Asset Types: Net Equity:

At the time of Underwriting, net equity from properties pending sale can be estimated using the following formula:

(Present Market Value × 90%) – Amount of Mtgs. & Liens

If a bridge loan is obtained, the amount of the bridge loan should be subtracted from the net proceeds.

A loan condition for the Settlement Statement will be required to be met by closing.

Assets: Asset Types: Secured Borrowed Funds:

Borrowers can borrow against an asset they own, such as a 401(k) account, real estate, or other assets of value. The loan should be an institutional loan or, in the case of real estate, a publicly recorded lien. Terms sheet or Note/Financing Agreement must be provided. Evidence of the proceeds checks from the lender must be provided, as well as evidence of deposit to the applicant's account.

Assets: Asset Types: Sale of an Asset:

Generally, a four-step process is required:

- Proving ownership of the asset
- Establishing the Value of the Asset
- Bill of Sale
- Evidence of receipt of funds and deposit of funds into the applicant's documented bank statement

Example: Sale of automobile: Provide auto title in applicant's name; Kelly Blue Book or auto appraiser's estimate; sales agreement between applicant/seller and buyer; image of buyer's check; and deposit to applicant's account.

Assets: Assets Held in Retirement Accounts or Stocks/Bond/Mutual Funds

For Retirement accounts or Stocks/Bond/Mutual Funds, FundLoans requires two consecutive monthly bank statements (60 days of account activity).

Monthly bank statements must be dated within 45 days of the initial loan application date. Quarterly bank statements must be dated within 90 days of the initial loan application date.

Funds in these accounts may be used for down payment and reserves as follows:

- Stocks/Bond/Mutual Funds - 100% of such accounts for closing and reserves.
- Vested Retirement Account funds – 80% may be considered for closing and reserves if the borrower(s) have reached the age of 59 ½ or 70% if they have not at the time of closing.

Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.

Assets: Use of Business Funds

Business funds may be used for the down payment, closing costs, and for the purposes of calculating reserves. The borrower must be listed as the sole owner or co-owner of the account and the account needs to be verified per the requirements of this Guide.

If Business funds are used, the borrower must be the sole proprietor or 50% owner of the business. The Lender must determine that the withdrawal of funds will not have a negative impact on the business by obtaining written confirmation from the borrower's CPA (or Enrolled Agent if license can be verified) that the withdrawal of funds for the transaction will not have a negligible effect on the business or an estimate of maximum withdrawal amount that could be taken without causing an adverse impact to the business.

Assets: Reserves

Reserves must be sourced and documented. (See Assets: Asset Types)

Business Funds can be used for Reserves (See Assets: Use of Business Funds)

Proceeds from a cash-out refinance can be used to meet the minimum reserve requirements.

Proceeds from 1031 Exchange cannot be used to meet reserve requirements.

Additional Reserves - All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. The total reserve requirement is not to exceed twelve (12) months.

Assets: Reserve Calculations

- Reserves for a loan with an Interest Only feature can be calculated based upon the Interest Only housing payment.
- Reserves for an ARM loan can be calculated based upon the initial PITIA, not the FIAR or qualifying payment.

Assets: Ineligible Assets for Reserves

Non-vested or restricted stock accounts are not eligible.

Assets: Assets Held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless held in a multi-national Banking institution that has active branch locations in the U.S. (EXAMPLES: Applicant has funds in Hong Kong branch of J.P Morgan Chase, or European branch of Credit Suisse)

Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.

A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

PROGRAM EXCEPTIONS

FundLoans will consider loans that meet a significant portion of key program parameters but may be slightly outside of the recommended LTV, FICO, DSCR, or Reserves so long as the file has significant strengths in the remaining key program parameters.

“Case by case” referenced throughout is an “exception” to these Guidelines and FundLoans reserves the right to refuse to grant such case by case scenario or exception, and any granted are subject to additional LLPAs at the discretion of FundLoans.

GUIDELINES UPDATES

1. Programs: Available Products (pg. 3) Removed table and now refer to Matrix
2. Income: Short Term Rentals (STR) (pg. 15-16) Clarified that use of 1007/1025 to establish rents is applicable only for purchase transactions.