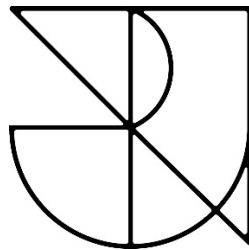


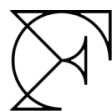
# FUNDLOANS

Spectrum VIII



GUIDELINES

12/19/2022 | V1.0





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# PRODUCT OVERVIEW

## AVAILABLE PRODUCTS

The following loan products are available:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
10/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED	Note Rate	480	NA	480	NA	NA
40 YR FIXED I/O	Note Rate	480	120	360	NA	NA

All ARM products may use the note rate for qualifying.

Additional ARM Criteria			
Adjustment Reset Period	Lookback Period	Margin	Floor
6-months	45-days	See Rate Sheet	Margin

## QUALIFYING PAYMENT

The qualifying payment is based upon the principal and interest payment along with 1/12<sup>th</sup> of the annual real estate taxes, property insurance, any other insurance, and any association dues.

The qualifying payment is based on the amortization term. For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period.

## INTEREST-ONLY RESTRICTIONS

Minimum Credit Score: 660  
Maximum LTV/CLTV: 75%

## LOAN AMOUNTS



Minimum: \$400,000  
Maximum: \$3,500,000

## MINIMUM CREDIT SCORE

Minimum Credit Score: 620

## SOLAR PANEL REQUIREMENTS

### Properties with Solar Panels

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- Borrower-owned panels,
- Leasing agreements,
- Separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- Power purchase agreements

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

The following sections summarize some of the specific underwriting criteria that will be applied depending on the details of any non-mortgage financing for the solar panels.

### Scenario 1 – Solar Panel(s) Affixed to Real Estate

If the solar panels are financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing has been filed for the panels in the real estate records.

FundLoans will:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, related promissory note and related security agreement that reflects the terms of the secured loan;
- Include the debt obligation in the DTI ratio calculation;
- **Not** include payment in the DTI if the payment under power purchase agreement is calculated solely based on the energy produced.
- Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and
- Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing is of record in the land records.

Note: If a UCC fixture filing is in the land records as a priority senior to the mortgage loan, it must be subordinated.

### Scenario 2 – Solar Panel(s) Not Affixed to Real Estate

Financed and collateralized – the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report.

FundLoans will:



- Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, and any UCC financing statement, related promissory note or related security agreement);
- Include the debt obligation in the DTI ratio calculation;
- **Not** include payment in the DTI if the payment under power purchase agreement is calculated solely based on the energy produced.
- Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt;
- Not include the panels in the LTV ratio calculation; and
- Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement of any UCC financing statement treat the panels as personal property not affixed to the home.

## AGE OF DOCUMENT REQUIREMENTS

### CREDIT REVIEW DOCUMENTATION

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Mortgage/rental verification
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

### APPRAISAL

Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required.

## BORROWER ELIGIBILITY

### RESIDENCY

#### US CITIZEN

Eligible without guideline restrictions.

#### PERMANENT RESIDENT ALIEN

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 States.

- ACCEPTABLE EVIDENCE OF PERMANENT RESIDENCY INCLUDE THE FOLLOWING:
  - ALIEN REGISTRATION RECEIPT CARD I-551 (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) THAT 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 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.”
- ELIGIBLE WITHOUT GUIDELINE RESTRICTIONS.

---

## NON-PERMANENT RESIDENT ALIEN

An individual admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- LEGAL STATUS DOCUMENTATION
  - VISA TYPES ALLOWED: E-1, E-2, E-3, EB-5, G-1 THROUGH G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA.
  - VISA MUST BE CURRENT. IF THE VISA WILL EXPIRE WITHIN SIX (6) MONTHS FOLLOWING THE CLOSE 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 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, THIS RECEIPT NOTICE, TOGETHER WITH THE EXPIRED EAD (AND THE BORROWER’S UNEXPIRED FORM I-94, IF THE BORROWER IS AN H-4, E, OR L-2 DEPENDENT SPOUSE, INCLUDING E-1S, E-2S, E-3S AND L-2S 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. SEE THE RELATED USCIS LINK FOR FURTHER INFORMATION: [HTTPS://WWW.USCIS.GOV/EADAUTOEXTEND](https://www.uscis.gov/eadautoextend)
- GUIDELINE RESTRICTIONS:
  - STANDARD OR ALT DOCUMENTATION LIMITED TO 24 MONTHS ONLY. MAXIMUM LTV/CLTV LIMITED TO 80%
  - DSCR DOCUMENTATION: MAXIMUM LTV/CLTV 70%
  - NON-OCCUPANT CO-BORROWERS ARE NOT ALLOWED.
  - GIFT FUNDS ARE NOT ALLOWED.
  - US CREDIT REQUIREMENTS DETAILED UNDER THE CREDIT SECTION OF THIS GUIDE SHOULD BE USED.





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## FOREIGN NATIONAL

A Foreign National is: a non-resident alien who is not authorized to live or work in the U.S. 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.

Foreign Nationals are eligible subject to restrictions herein.

Citizens of the following countries are not eligible under the Foreign National product or any other product:

- Russia
- Belarus

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## FOREIGN RESIDENCY

A foreign national borrower must evidence their primary residence for the country issuing their Passport.

- A complete loan application (Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.
- The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application e.g., lease agreement, utility bill, financial statement.
- The Borrower Contact Consent Form is required.

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## AUTOMATIC PAYMENT AUTHORIZATION (ACH)

Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

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## FOREIGN NATIONAL SPECIFIC DOCUMENTATION REQUIREMENTS

- THE FOLLOWING ARE REQUIRED AS EVIDENCE THE BORROWER IS IN THE U.S LEGALLY:
  - COPY OF THE BORROWERS VALID AND UNEXPIRED PASSPORT (INCLUDING PHOTOGRAPH) AND
    - COPY OF THE BORROWER'S VALID AND UNEXPIRED VISA (INCLUDING PHOTOGRAPH) OR AN I-797 FORM WITH VALID EXTENSION DATES AND I-94, OR
    - 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](https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html) THE CREDIT FILE SHOULD BE DOCUMENTED WITH A CURRENT PRINT-OUT OF THE PARTICIPATING COUNTRIES, WITH THE BORROWERS COUNTRY OF ORIGIN HIGHLIGHTED.
    - CITIZENS OF CANADA TRAVELING TO THE UNITED STATES DO NOT REQUIRE A NONIMMIGRANT VISA.
  - A LIST OF NONIMMIGRANT VISA TYPES IS LOCATED ON THE U.S. DEPARTMENT OF STATE WEB SITE [HTTPS://TRAVEL.STATE.GOV/CONTENT/TRAVEL/EN/US-VISAS/VISA-INFORMATION-RESOURCES/ALL-VISA-CATEGORIES.HTML](https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html)



- IF A NON-U.S. CITIZEN IS BORROWING WITH A U.S. CITIZEN, FOREIGN NATIONAL DOCUMENTATION REQUIREMENTS STILL APPLY.
- ALL PARTIES (BORROWERS AND PROPERTY SELLERS) INVOLVED ON THE TRANSACTION MUST BE SCREENED THROUGH EXCLUSIONARY LISTS, AND MUST BE CLEARED THROUGH OFAC'S SDN LIST. A SEARCH OF SPECIALLY DESIGNATED NATIONALS & BLOCKED PERSONS LIST MAY BE COMPLETED VIA THE US DEPARTMENT OF TREASURY: [HTTP://SDNSEARCH.OFAC.TREAS.GOV/](http://sdnsearch.ofac.treas.gov/).
- BORROWERS FROM OFAC SANCTIONED COUNTRIES ARE INELIGIBLE  
[HTTP://WWW.TREASURY.GOV/RESOURCE-CENTER/SANCTIONS/PROGRAMS/PAGES/PROGRAMS.ASPX](http://www.treasury.gov/resource-center/sanctions/programs/pages/programs.aspx).
- INDIVIDUALS WITH DIPLOMATIC IMMUNITY ARE NOT ELIGIBLE, IMMUNITY STATUS IS LISTED ON THE REVERSE SIDE OF THE U.S. ISSUED ID CARD OR AT: [HTTPS://2009-2017.STATE.GOV/S/CPR/RLS/DPL//INDEX.HTM](https://2009-2017.state.gov/s/cpr/rls/dpl/index.htm)
- 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. IF THE U.S. EMBASSY OR CONSULAR OFFICIAL IS UNAVAILABLE, A NOTARY IS ACCEPTABLE IF THE COUNTRY, WHERE SIGNING IS TAKING PLACE, IS PART OF THE HAGUE CONVENTION AND THE SIGNED DOCUMENTS ARE ACCOMPANIED BY AN APOSTILLE. SEE THE FOLLOWING LINK TO DETERMINE IF THE COUNTRY IS PART OF THE HAGUE CONVENTION:

<https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-your-document/apostille-requirements.html>

Model Apostille forms can be found on the following link:

<https://www.hcch.net/en/instruments/specialised-sections/apostille>

- Power of Attorney (POA) is not allowed.

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## QUALIFYING U.S. CREDIT

- For foreign national borrowers with a valid Social Security number, a credit report should be obtained. Requirements found in the Credit section of this guide apply.
- RESTRICTIONS WHEN QUALIFYING WITH U.S. CREDIT:
  - MINIMUM CREDIT SCORE: 680
  - NON-OCCUPANT Co-BORROWERS NOT ALLOWED

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## QUALIFYING FOREIGN CREDIT

- FOREIGN NATIONAL BORROWERS WITHOUT QUALIFYING U.S. CREDIT (INCLUDING BORROWERS WITHOUT A VALID SOCIAL SECURITY NUMBER AND BORROWERS WITH OR WITHOUT AN INDIVIDUAL TAX IDENTIFICATION NUMBER) MUST PROVIDE EVIDENCE OF TWO (2) OPEN TRADELINES REPORTING FOR TWO (2) YEARS WITH ACTIVITY IN THE MOST RECENT 12 MONTHS. NO DEROGATORY CREDIT HISTORY IS PERMITTED WITHIN THE 2-YEAR HISTORY UNDER REVIEW. ANY COMBINATION OF THE FOLLOWING IS ACCEPTABLE TO ARRIVE AT THE TRADELINE REQUIREMENT:
  - TRADELINES EVIDENCED VIA A U.S. CREDIT REPORT; AND/OR
  - ALTERNATIVE TRADELINES CONSISTING OF TWO OF THE FOLLOWING:
    - CREDIT REFERENCE LETTER(S) FROM A VERIFIED FINANCIAL INSTITUTIONS IN THE BORROWER'S COUNTRY OF ORIGIN
      - A REFERENCE LETTER MUST BE FROM AN INTERNATIONALLY KNOWN FINANCIAL INSTITUTION.



- EACH LETTER OF REFERENCE MUST STATE THE TYPE AND LENGTH OF THE RELATIONSHIP, HOW THE ACCOUNT IS HELD, PAYMENT AMOUNT, OUTSTANDING BALANCE AND STATUS OF ACCOUNT INCLUDING A MINIMUM 12-MONTH PAYMENT HISTORY.
- A SINGLE REFERENCE SOURCE MAY PROVIDE VERIFICATION OF MULTIPLE ACCOUNTS. INDIVIDUAL ACCOUNT DETAIL MUST BE PROVIDED.
- THE LETTER MUST MENTION THE BORROWER BY NAME.
- NAME, TITLE & CONTACT INFORMATION OF THE PERSON SIGNING THE LETTER MUST BE INCLUDED.
- CURRENCY MUST BE CONVERTED TO U.S. DOLLARS AND SIGNED AND DATED BY CERTIFIED TRANSLATOR.
- ALL DOCUMENTS MUST BE TRANSLATED INTO ENGLISH.
- CREDIT CARD STATEMENTS – MINIMUM OF TWELVE (12) RECENT CREDIT CARD STATEMENTS REFLECTING A TIMELY PAYMENT HISTORY.
- GUIDELINE RESTRICTIONS: QUALIFYING FOREIGN CREDIT
  - MAXIMUM LTV/CLTV: 75%
  - STANDARD DOC (SECOND HOME OR INVESTMENT)
  - DSCR (INVESTMENT PROPERTY ONLY)
  - NON-OCCUPANT CO-BORROWERS NOT ALLOWED

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## HOUSING HISTORY

A housing history for the borrower's primary residence is not required. Refinance transactions (including cash out) require the most recent 12-month housing history for the subject property.

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## FOREIGN NATIONAL ASSETS

### RESERVES

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Twelve (12) months of reserves are required. Reserves may be reduced to six (6) months with a 5% LTV reduction.

### ASSETS HELD IN FOREIGN ACCOUNTS

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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.

- DOCUMENTING ASSETS HELD IN FOREIGN ACCOUNTS:
  - ASSETS MUST BE VERIFIED IN U.S. DOLLAR EQUIVALENCY AT THE CURRENT EXCHANGE RATE VIA EITHER [WWW.XE.COM](http://WWW.XE.COM) OR THE WALL STREET JOURNAL CONVERSION TABLE.
  - A COPY OF THE MOST RECENT STATEMENT OF THAT ACCOUNT.
  - SEE THE ASSET DOCUMENTATION SECTION OF THIS GUIDE FOR ELIGIBLE SOURCES AND TYPES OF ASSETS.

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## GIFT FUNDS

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Gift funds are not allowed.

## INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity

Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

## TITLE VESTING AND OWNERSHIP

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see Section 2.4.5.

Title must be in the borrower's name (owner-occupied property) at the time of application for refinance transactions.

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter vivos revocable trust
- Illinois land trusts

Ineligible forms of vesting are:

- Land trusts
- Blind trusts
- IRAs

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae® requirements should be followed to the extent this section is silent.

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 two (2) or more)
- 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:

- If the trust was created under California law, a fully executed Certificate of Trust under Section 18100.5 of the California Probate Code.
- If the trust was created under the laws of a state other than California:
  - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
    - The trust is revocable.
    - 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

Limited Liability Companies, Partnerships, Corporations, and S Corporations (each, an "Entity") in accordance with the requirements listed below:

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

- Restricted to investment properties only.
- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a US State.
- Any business structure is limited to a maximum of four (4) owners or members.
- Personal guaranties (full recourse) must be provided by all members of the entity.
- Each Entity member providing a personal guaranty (full recourse) must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- 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 members of the Entity.
- The following Entity documentation must be provided:
  - Limited Liability Company
    - Entity Articles of Organization or Partnership
    - Certificate of Good Standing or equivalent
    - Foreign LLC Certificate of Good Standing or equivalent if entity not formed in subject property state
    - Certificate of Authorization for the person executing all documents on behalf of the Entity. The authorization may be determined in an Operating Agreement or other corporate documents. If not, a Borrowing Certificate is required.
      - Borrowing Certificate



- Corporate documents that contain a list of owners, title, and ownership percentage, e.g., organization structure
- Tax Identification Number (Employer Identification Number - EIN)
  - Single Member LLC may use EIN or the guarantor social security number
  - All multi-member LLCs must have an EIN
- Corporation
  - Filed Certificate/Articles of Incorporation (and all amendments)
  - By-Laws (and all amendments)
  - Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is incorporated)
  - Tax Identification Number (EIN)
  - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
  - Receipt of current year franchise tax payment or clear search
- Partnership
  - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
  - Partnership Agreement (and all amendments)
  - Certificate of Good Standing (Issued by the SOS where the partnership is registered)
  - Tax Identification Number (EIN)
  - Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual by all members of the Entity:
  - Loan Application (Fannie Mae® Form 1003)
    - Completed for each individual member of the Entity.
    - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
    - Signed by Individuals
  - Personal Guaranty
    - Completed for each individual member of the entity.
    - The guaranty should be executed at loan closing and dated the same date as the Note.
    - Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge.
- Signed by the authorized signer for the entity:
  - Disclosures (e.g., GFE, TIL, ECOA)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

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## EXAMPLES - SIGNATURE REQUIREMENTS

[Authorized Signatory] may be replaced by a different title as specified in the Member Consent (e.g., Managing Member, Member, etc.).

### SAMPLE 1:

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*Borrower: JJ Investors, LLC by James Johnson, Single Member of LLC*

**Note, Security Instrument, and all Riders:**

Signature Block

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

**SAMPLE 2:**

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*Borrower: JJ Investors, LLC, by James Johnson and Jane Nelson, two Members of LLC;*

*Both Members are Authorized Signatories of LLC.*

**Note, Security Instrument, and all Riders:**

Signature Block

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

**and**

JJ INVESTORS, LLC a [\_\_\_\_] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

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**POWER OF ATTORNEY**

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents;
- The Borrower who executed the POA signed the initial 1003;



- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- Not eligible for cash-out transactions or with Foreign National borrowers.

## BORROWER STATEMENT OF OCCUPANCY

The borrower must acknowledge that he or she does not intend to occupy the subject property by completing and signing the appropriate sections of the “Occupancy Certification” found in the Occupancy Certification of this guide.

## BORROWER STATEMENT OF BUSINESS PURPOSE

All transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose form in this guide. FundLoans reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

## TRANSACTION TYPES

### 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.
- Assignment of contract or finder’s fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
  - The purchase contract cannot be expired
  - Borrower as the purchaser of the property
  - Seller as the vested owner on title
  - Correct sales price
  - Amount of down payment
  - Closing dates
  - Concessions and seller contributions

#### 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.





- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
  - 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. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- 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.
- If the subject property was acquired greater than six (6) months from application date, the appraised value will be used to determine LTV/CLTV. If the property was acquired less than or equal to six (6) months from the application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
- Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

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## CASH-OUT

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrices for maximum cash-out amounts and restrictions.
- 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.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
  - Properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in Section 2.4.7 Prepayment Penalty are met.
  - There has been a prior cash-out transaction within the past six (6) months
  - Payoff of a Land Contract/Contract for Deed.
  - When proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
- Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.



- A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.
- For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
- If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
- Cash-out seasoning of six (6) months or less is allowed with the following restriction:
  - The borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership and has provided adequate documentation of this fact.

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## DELAYED FINANCING

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
  - The original purchase transaction was an arms-length transaction.
  - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
  - The preliminary title search or report must confirm that there are no existing liens on the subject property
  - The transaction is considered cash-out; cash-out pricing adjustors apply
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

## LISTING SEASONING

For all cash-out refinances a listing expiration of less than six (6) months is permitted with a prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date.

## NON-ARM'S LENGTH TRANSACTIONS

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### NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property builder, developer, or seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.

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.

Non-arm's length transactions are not eligible.



## INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

May not exceed 3%.

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

## ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts can be waived, with the exception of Flood Insurance Premium, when the following requirements are met:

- LTV less than 80%
- Minimum decision credit score of 720
- Minimum 12-months of reserves
- Pricing adjustment may apply, see rate sheet.

## SECONDARY FINANCING

Secondary financing must be institutional. FundLoans will determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period.

## PREPAYMENT PENALTY

Where permitted by applicable laws and regulations, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The charge will be calculated as follows:

A fixed percentage of 5% - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.



The following state restrictions apply:

- Prepayment penalties are not allowed in AK, KS, MI, MN, NM, OH, and RI.
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ.
- Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2022 the base figure amount is \$278,204.
- Only declining prepayment penalty structures are allowed in MS.

# CREDIT

## CREDIT REPORTS

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

- The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

## FRAUD REPORT

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrowers, Sellers, Brokers, Loan Officers, and Real Estate Agents) must be included in the fraud report performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the findings report from the vendor must be provided in the loan file with all “high” alerts, or “red flags” addressed and/or cleared.

Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

## CONSUMER CREDIT

### REVOLVING DEBT

Revolving debt is open-ended debt in which the principal balance may vary from month to month.

Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.



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## OPEN 30-DAY CHARGE ACCOUNTS

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, FundLoans will verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

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## CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity. Charge-offs and collections will be ignored unless they are title impacted. If they are title impacted:

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and accounts that total more than \$2,000, must be paid in full prior to or at closing. See below for exception.
- Medical collections may remain open with a max cumulative balance of \$10,000.
- A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

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## CONSUMER CREDIT COUNSELING SERVICES

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing while enrolled in the plan.

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## JUDGMENT OR LIENS

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

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## INCOME TAX LIENS

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).



- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.
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## DISPUTED ACCOUNTS

When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved. If the disputed account balance is \$250 or less, the account can remain in dispute. The total aggregate balance of accounts in dispute remaining unresolved can't exceed \$2,000.

## BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. See Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

## FORECLOSURE SEASONING

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Matrices for details. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

## SHORT SALE / DEED-IN-LIEU SEASONING

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Matrices for details.

In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.



## FORBEARANCE, MODIFICATION, OR DEFERRALS

Forbearance, loan modifications, or deferrals (including COVID-19 related events) are treated as a short sale / deed-in-lieu for eligibility and pricing purposes. Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.

## CREDIT SCORE

Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. To determine a borrower(s) credit score, use the lower of two (2) or middle of three (3) credit scores.

For a loan file with one borrower, that borrower's score is the decision credit score.

For loan files with multiple borrowers, the lowest score amongst all borrowers who will be on the loan as the decision credit score.

## TRADELINES

### STANDARD TRADELINES

For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The **minimum tradeline requirements** are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history for at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred

The following are not acceptable to be counted as tradelines:

- "non-traditional" credit as defined by Fannie Mae®
- self-reported tradeline
- collection accounts
- foreclosures



- any liabilities in deferment status
- accounts discharged through bankruptcy
- authorized user accounts
- charge-offs
- deed-in-lieu of foreclosure
- short sales
- pre-foreclosure sales

## ASSETS

### ASSET REQUIREMENTS

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90-days of the loan note date.

### ASSET DOCUMENTATION

The following may be used as asset documentation for down payment, closing costs, and reserves. See Matrices for minimum reserve requirement.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
  - Statements must include the following:
    - Name of financial institution
    - Reflect borrower as the account holder (Funds held jointly with a non-borrowing spouse are considered 100% of the borrower's funds)
    - Account number
    - Statement date
    - Time period covered by the statement
    - Available balance in U.S. dollar denomination
  - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.
- Verification of Deposit completed by the verifying financial institution (Fannie Mae® Form 1006).
- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets.
- Business accounts may be considered for assets. The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
  - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.





- Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
- Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30-days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances

## RESERVES

- Minimum reserves required as outlined on the applicable matrices.
- Net proceeds from a cash-out transaction maybe used to meet reserve requirements.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.

## GIFT FUNDS

Gift Funds are acceptable if 10% of the down payment is made by the borrower from their own funds.

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## ELIGIBLE DONORS AND DOCUMENTATION

A gift can be provided by:

- a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- a fiancé, fiancée, or domestic partner.

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.

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## DOCUMENTATION REQUIREMENTS

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:



- specify the dollar amount of the gift;
- specify the date the funds were transferred;
- include the donor's statement that no repayment is expected; and
- indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

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## VERIFYING DONOR AVAILABILITY OF FUNDS AND TRANSFER OF GIFT FUNDS

FundLoans will verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- a copy of the donor's check and the borrower's deposit slip,
- a copy of the donor's withdrawal slip and the borrower's deposit slip,
- a copy of the donor's check to the closing agent, or
- a settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the FundLoans will document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may not be used to meet reserve requirements.
- Gift of Equity not allowed.

## DEBT SERVICE COVERAGE

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or borrowers refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification.

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow.

## PROPERTY INCOME ANALYSIS

Gross monthly rents are used to determine the DSCR. Gross rents are the lower of the actual rents from lease agreement(s) or market rents from either Fannie Mae® Form 1007 or Form 1025 in the case of a multi-family property. The 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. Properties used exclusively for short-term rentals are not permitted.



- Purchase Transactions
  - Rents determined by FNMA Form 1007 or 1025 reflecting long term market rents. If subject property currently tenant occupied, the 1007 or 1025 must include the current monthly rent.
  - Vacant or unleased properties are allowed.
- Refinance Transactions
  - Rents determined by FNMA Form 1007 or 1025 reflecting long term market rents, and
  - Lease agreement, if lease converted month to month, then provide most recent two (2) months proof of receipt.
  - Vacant or unleased properties are allowed, and the maximum LTV allowed is reduced by 5%.
- DSCR Calculation
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the Eligibility Matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

## DEBT SERVICE COVERAGE RATIO (DSCR)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest-only loans) of the subject property. See the Eligibility matrix for required Debt Service Coverage Ratios.

### EXAMPLE: SAMPLE DEBT SERVICE COVERAGE RATIO CALCULATION

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (Fannie Mae® Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Use Market Rent of \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*).

Gross Rents **(\$850)** ÷ PITIA **(\$650)** = **DSCR (1.30)**

## BORROWER EXPERIENCE

### EXPERIENCED INVESTOR

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- An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least one (1) year in the last three (3) years. For files with more than one borrower, only one borrower must meet the definition.
- Experience can be documented by one of the following:
  - Complete the REO schedule on the [1003 loan application](#), or
  - Provide a property profile report, or
  - Other 3<sup>rd</sup> party documentation

## HOUSING HISTORY

Housing history is limited to verifying the borrower's primary residence and the subject property if a refinance transaction.

Housing History



- Any housing event reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.

## RESTRICTIONS

- See the Matrices for the maximum LTV/CLTV.
- If the loan amount is < \$150,000 the minimum DSCR is 1.50.
- Minimum credit score of 620.
- No rural properties, maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented as required herein.
- The borrower may not occupy the subject property at any time.
- Cash-out on an investment property where loan proceeds are used for consumer purpose.

## BORROWER APPLICATION

- The borrower information section of the loan application (i.e., Fannie Mae Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., Fannie Mae Form 1003).
- No proof of borrower income is required.

## PROPERTY INCOME ANALYSIS

- Minimum DSCR  $\geq 1.00$
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment)
- Loan amounts  $\geq$  \$2,000,000 require DSCR  $\geq 1.00$  and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater)
- Leased - Use lower of Estimated market rent or lease agreement.
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties: 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.
- Income from commercial space must not exceed 49% of the total property income.
- Short-term rental use/income not eligible.

## BORROWER EXPERIENCE

- Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years.
- First-time investors not eligible.



## OCCUPANCY

- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
- Commercial unit(s) may be occupied by the borrower's business.

### Eligible Property

- Residential 5 – 8 Units (Max 2-acres)
- Mixed use 2 – 8 Units
  - Commercial usage limited to Retail/Office
    - 2-3 Units: Max 1 commercial Unit
    - 4-5 Units: Max 2 commercial Units
    - 6-8 Units: Max 3 commercial Units
  - Commercial space must not exceed 49% of the total building area
  - Unleased Units
    - Maximum 1-unit on 2-3 unit property
    - Maximum 2-units on 4+ unit property

## PROPERTY CONDITION

- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

## PREPAYMENT PENALTY

Prepayment penalty will be required.

## ELIGIBILITY REQUIREMENTS

Maximum loan term cannot exceed 30 years.

## APPRAISAL REQUIREMENTS

- See Appraisal Requirements in Section 3.4.1. Value based upon sales approach.
- The following attachments required for 5-8 Residential
  - Rent Roll
  - Income and Expense Statement
  - Photos of subject including exterior/interior and street scene
  - Aerial photo
  - Sketch or floor plan of typical units
  - Map
  - Plot plan or survey



- Appraiser qualifications
- Review Products: Commercial Sales and income BPO based upon sales approach

## GROSS RENT DOCUMENTATION REQUIREMENTS

### PURCHASE

- Fannie Mae® Form 1007, if applicable.
- Existing lease agreement(s), if applicable.
  - If the existing lease is being transferred to the borrower, FundLoans will verify that it does not contain any provisions that could affect the first lien position of the subject property.

### REFINANCE

- Fannie Mae® Form 1007, if applicable.
- Existing lease agreement(s), if applicable.
- If subject property leased on a short-term basis is utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is actively marketed as a short-term rental. A 5% LTV reduction is required when using short term rental income to qualify.

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### DEBT SERVICE COVERAGE RATIO (DSCR) – CALCULATION REQUIREMENTS

- Leased property: DSCR is based upon the contracted monthly rent amount from the lease
  - A property is considered Leased” when there is an executed long term (Min 12-months) lease agreement between the lessor and lessee.
  - Most recent two months of rent payment per lease agreement is required.
- Unleased and vacant property: DSCR is based upon the estimate of the monthly rent of the subject. The final reconciliation of Market Rent must be based on a 12-month rent schedule.
  - A property is considered unleased and vacant when no long term executed lease is in place. The Borrower should provide the cause of vacancy (Letter of Explanation) for refinance transactions, such as recently completed renovation, tenant turnover, etc.
- Vacancies
  - 1-4 Units – Vacant unit qualify at 75% of market rent (Maximum 1 vacancy)
  - 5-8 Units - Vacant units qualify at 75% market rents (Maximum 2 Vacancies)

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### ELIGIBLE TENANT:

- Neither the Borrower(s) nor the borrower’s immediate family shall at any time occupy the properties.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding.
- Borrower(s) must attest that all tenants are non-borrower affiliated.



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## LEASE AND OCCUPANCY REQUIREMENTS

- All units must be residential units that are currently occupied and leased to tenants, except that up to 10% of the units for a loan may be comprised of units which are currently vacant, but in lease-ready condition. Notwithstanding the foregoing, for portfolios of less than 10 units, up to one (1) unit may be vacant in the normal course of lease turnover.
- All properties must be either leased to an eligible tenant or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease Agreements that allow Single Room Occupancy (SRO), or boarder leases are not permitted.
- Third-party sale-and-leaseback agreements and contract for deed transactions will not be permitted.
- Leases must be in U.S. dollars.

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## MULTI-FAMILY PROPERTY (5-8 UNIT)

- 5–8-unit properties require trailing 12-month operating statements and the most recent fiscal year-end historical operating statement (if available).
- 5–8-unit properties may not exceed:
  - 25% of total property count or
  - 25% of allocated loan balance

## PROPERTY ELIGIBILITY

### APPRAISALS

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## APPRAISAL REQUIREMENTS

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### 5-8 UNIT RESIDENTIAL PROPERTIES

A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

The following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties, or
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

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### 2-8 MIXED USE PROPERTIES

Commercial use limited to retail or office space. Residential or commercial zoning acceptable.



- General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode)
- A full interior inspection with photos is required for all units.
- Commercial space must not exceed 49% of the total building area.
- The sales comparison approach should be used as the appraised value.

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## APPRAISAL ATTACHMENTS REQUIRED

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Plot plan or survey
- Appraiser qualifications

## PROPERTY CONDITION

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

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## APPRAISAL REVIEW REQUIREMENTS

- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.
- In Pennsylvania, a commercial evaluation product is used instead of the BPO product.

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## MINIMUM PROPERTY REQUIREMENTS

MINIMUM SQUARE FOOTAGE
2-8 Units 400 sq. ft per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

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## PERSONAL PROPERTY





Any personal property transferred with a real property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

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## ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan closing.

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## DECLINING MARKETS

If the trend of property values is downward, a “Declining Market” exists. This requires a 5% LTV reduction from the regular LTV matrix for LTVs greater than 70%.

## PROPERTY TYPES

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### ELIGIBLE PROPERTIES

- 5-8 Unit residential properties
- 2-8 Mixed Use
  - 2-3 Units: Max 1 commercial Unit
  - 4-5 Units: Max 2 commercial Units
  - 6-8 Units: Max 3 commercial Units

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### INELIGIBLE PROPERTIES

- Properties containing fewer units than those meeting eligibility criteria.
- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Agricultural properties (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Co-op/timeshare hotels
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana



- Rural property:
  - A property is classified as rural if:
    - The appraiser indicates in the neighborhood section of the report a rural location; or
    - The following two (2) conditions exist:
      - The property is located on a gravel road, and
      - Two of the three comparable properties are more than five (5) miles from the subject property.

## ACREAGE LIMITATIONS

- 2 acres
- No truncating allowed

## PROPERTY FLIPPING

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

- The price in the borrower’s purchase agreement exceeds the property seller’s acquisition price by more than 10% if the property seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement.
- The price in the borrower’s purchase agreement exceeds the property seller’s acquisition price by more than 20% if the property seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.

If the property is a “flip” as defined above, the following additional requirements apply:

- A second appraisal must be obtained.
- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- The second appraisal must be dated prior to the loan consummation/note date.
- The property seller on the purchase contract must be the owner of record.
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

## LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible. The mortgage must be secured by the property improvements and the borrower’s leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the title policy.

Leaseholds must meet all Fannie Mae® eligibility requirements (i.e., term of lease).



## EXPOSURE – BORROWER LIMITATIONS

FundLoans' aggregate exposure to a single borrower and/or household shall not exceed \$5,000,000 in current unpaid principal balance (UPB) or ten (10) loans.

## DISASTER AREAS

FundLoans will identify geographic areas impacted by disasters and take 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 [www.fema.gov/disasters](http://www.fema.gov/disasters). 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 will be used to determine if the disaster guidelines should be followed.

### APPRAISALS COMPLETED PRIOR TO DISASTER

An 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.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

### APPRAISALS COMPLETED AFTER DISASTER EVENT

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage noted in the original report must be repaired and re-inspected prior to purchase.

# FORMS

## AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM

### AUTOMATIC PAYMENT AUTHORIZATION FORM

Yes, I would like to enroll in the free\* monthly Automatic Payment Program

Name	Street Address	City, State, Zip Code
Daytime Phone Number		Evening Phone Number





**BORROWER CERTIFICATION OF BUSINESS PURPOSE**

**Borrower Certification of Business Purpose**

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of **[LOAN CLOSING DATE]**. The undersigned borrower(s) and, if applicable, guarantor (collectively the “Borrower”) certifies and represents to **FundLoans Capital** (“FundLoans”) all of the following:

1. Borrower has requested that FundLoans make a loan in the original principal amount of **[LOAN AMOUNT]** (“Loan”), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of FundLoans, which is secured by that certain Mortgage, Deed of Trust or Security Deed (“Security Instrument”) of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as **[PROPERTY ADDRESS]** (“Property”).
2. Borrower has previously represented to FundLoans that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.
3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.
4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.
5. Certain consumer protection laws, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.
6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

_____		_____	
Signature	Date	Signature	Date
_____		_____	
Type/Print Name		Type/Print Name	
_____		_____	
Signature	Date	Signature	Date
_____		_____	
Type/Print Name		Type/Print Name	



**BORROWER CONTACT CONSENT FORM**

**BORROWER CONTACT CONSENT FORM**

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

**Mailing address for your mortgage statements and other correspondence:**

\_\_\_\_ Same as the subject property.

\_\_\_\_ Please use this mailing address instead:

Address Line 1 \_\_\_\_\_

Address Line 2 \_\_\_\_\_

City/State/Zip \_\_\_\_\_ Country \_\_\_\_\_

**Cell phone number:**

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its designated servicer permission to use the cell phone number to contact me regarding my loan.

	<u>Within the United States</u>
Borrower	(____)_____- _____
Co-Borrower	(____)_____- _____
	(Area code) phone number

	<u>If you reside outside the United States</u>
	(____)_____ _____
	(____)_____ _____
	(Country code) phone number

**Email address:**

I understand that by providing an email address, I am giving the holder of my mortgage Note and its designated servicer permission to use this email to contact me regarding my loan.

Borrower \_\_\_\_\_

Co-Borrower \_\_\_\_\_

**Signature(s):**

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Co-Borrower \_\_\_\_\_ Date \_\_\_\_\_

