

# DSCR I Guidelines

<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>Manual Underwriting Only</li> </ul>
<b>Maximum Points and Fees</b>	<ul style="list-style-type: none"> <li>5% of the "Total Loan Amount" (as defined by 1026.32(b)(4) and calculated by the lender) or the maximum allowed under applicable state laws.</li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>\$150,000</li> </ul>
<b>Eligible Loan Products</b>	<ul style="list-style-type: none"> <li>30 Year Fixed</li> <li>30 Year Fixed Interest-Only (10/20) – fully amortizing</li> <li>40 Year Fixed Interest-Only (10/30) – fully amortizing</li> <li>5/6 ARM</li> <li>5/6 ARM Interest-Only (10/20) – fully amortizing</li> </ul>
<b>ARM Info</b>	<ul style="list-style-type: none"> <li>Index – 30-day average SOFR</li> <li>Margin/Floor – refer to the daily rate sheet</li> <li>Caps – refer to the daily rate sheet</li> <li>Qualifying Rate – Note Rate</li> </ul>
<b>Interest-Only</b>	<ul style="list-style-type: none"> <li>Interest-Only term – 10 years</li> <li>DSCR is calculated based on the initial interest-only payment – <math>\text{Gross Rental Income} \div \text{ITIA}</math></li> <li>If <math>\text{DSCR} \geq 1.00</math> and if <math>\text{FICO} \geq 700</math> – 75% max LTV</li> <li>If <math>\text{DSCR} \geq 0.75</math> and if <math>\text{FICO} \geq 700</math> – 70% max LTV</li> <li>If <math>\text{DSCR} &lt; 0.75</math> or if <math>\text{FICO} &lt; 700</math> - ineligible</li> </ul>
<b>Temporary Buydown</b>	<ul style="list-style-type: none"> <li>Temporary Buydown is not permitted</li> </ul>
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>Purchase loans with new subordinate financing are permitted</li> <li>Existing subordinate financing can be re-subordinated on refinance</li> <li>Subordinate financing must be institutional</li> </ul>
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>US Citizen</li> <li>Permanent Resident Alien <ul style="list-style-type: none"> <li>90 days must remain from the expiration date to the new note date</li> <li>If less than 90 days remain, proof of automatic renewal must be provided (must fund before renewal expires)</li> </ul> </li> <li>Non-Permanent Resident Alien <ul style="list-style-type: none"> <li>For eligible VISA and EAD category – please refer to the eligibility matrix</li> <li>90 days must remain from the expiration date to the new note date</li> <li>If less than 90 days remain, proof of automatic renewal must be provided (must fund before renewal expires)</li> </ul> </li> <li>Revocable Trust</li> <li>Corporation – for investment property only</li> <li>Limited Liability Company – for investment property only</li> </ul>
<b>Ineligible Borrower</b>	<ul style="list-style-type: none"> <li>Co-signers</li> <li>Applicants possessing diplomatic immunity</li> <li>Borrowers from OFAC sanctioned countries or on the OFAC list</li> <li>Borrowers on HUD LDP list or GSA Excluded Party list or any other exclusionary list</li> <li>Politically exposed borrowers</li> </ul>
<b>First Time Home Buyer</b>	<ul style="list-style-type: none"> <li>First-time home buyer is defined as anyone who has not had any residential property ownership in the last 36 months.</li> <li>First-time home buyer is eligible under the following conditions: <ul style="list-style-type: none"> <li>Min. 1.00 DSCR</li> <li>Min. 700 FICO</li> <li>Tax and insurance impounded</li> <li>No interest-only feature</li> </ul> </li> <li>If borrower can document home ownership beyond 36 months, first time home buyer restrictions above can be waived.</li> </ul>
<b>First Time Investor</b>	<ul style="list-style-type: none"> <li>First time investor is anyone who has owned/managed an investment property (residential &amp; commercial) for at least 12 months in the last 36 months</li> <li>First time investor is allowed</li> </ul>

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<b>Non-Arm's Length Transaction</b>	<ul style="list-style-type: none"> <li>• Eligible with reasonable explanation – up to UW's discretion</li> <li>• Ineligible types of non-arm's length transactions include, but are not limited to: <ul style="list-style-type: none"> <li>◦ Listing Agent representing borrower as the loan officer</li> </ul> </li> <li>• Borrower acting as the loan officer</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• Allowed per FNMA, except for Cash-Out transaction</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Investment</li> </ul>
<b>Rate and Term Refinance</b>	<ul style="list-style-type: none"> <li>• Cash-back to the borrower is limited to the lesser of \$2,000 or 2% of the new loan amount</li> <li>• Combining 1<sup>st</sup> lien and non-purchase-money 2<sup>nd</sup> lien can be considered as rate and term if: <ul style="list-style-type: none"> <li>◦ Non-purchase-money 2<sup>nd</sup> lien is seasoned for 12 months prior to the loan application date; AND</li> <li>◦ Total draws during the last 12 months prior to the loan application date does not exceed \$3,000</li> </ul> </li> <li>• Borrower can be added to the title at closing</li> <li>• Continuity of obligation is not required</li> <li>• Refinancing a prior cash-out loan after 6 months can be considered as rate and term refinance</li> </ul>
<b>Cash-Out Refinance</b>	<ul style="list-style-type: none"> <li>• 6-month title seasoning is required</li> <li>• Borrower is eligible for cash-out refinance on property owned by LLC, Corp, or Partnership by at least 6 months if the borrower owns 50% of the LLC, Corp, or Partnership</li> </ul>
<b>Cash-Out Limit</b>	<ul style="list-style-type: none"> <li>• Cash-out limit: <ul style="list-style-type: none"> <li>◦ LTV &gt; 60%: \$500K max cash-out</li> <li>◦ LTV ≤ 60%: \$1,000,000</li> </ul> </li> </ul>
<b>Delayed Financing</b>	<ul style="list-style-type: none"> <li>• Delayed financing is allowed per FNMA</li> </ul>
<b>Texas Refinance Section 50(a)(6)</b>	<ul style="list-style-type: none"> <li>• Texas refinance loans that must close under Section 50(a)(6) are ineligible</li> </ul>
<b>Construction to Permanent</b>	<ul style="list-style-type: none"> <li>• Eligible</li> </ul>
<b>Debt Service Coverage Ratio</b>	<ul style="list-style-type: none"> <li>• 100% of the gross rent can be used to calculate DSCR</li> <li>• DSCR is calculated by: <ul style="list-style-type: none"> <li>◦ Gross Rent ÷ PITIA (or ITIA for interest-only loan)</li> </ul> </li> <li>• For refinance transaction, subject property cannot be vacant</li> <li>• For refinance transaction, lease agreements are required</li> <li>• For refinance transaction, lower of the current lease or market rent from 1007 can be used</li> <li>• For purchase transaction, if the existing tenant will remain after closing, current lease agreement or tenant estoppel must be provided</li> <li>• Expired lease agreement that has a verbiage that states that the lease agreement will become a month-to-month lease once the initial lease term expires is allowed</li> </ul>
<b>Short Term Rental Income</b>	<ul style="list-style-type: none"> <li>• Short-term rental income can be used with minimum 12-month rental history (3<sup>rd</sup> party statements): <ul style="list-style-type: none"> <li>◦ 70% max LTV</li> <li>◦ Minimum of 1.00 DSCR required</li> <li>◦ Total net rent (calculated by developing 12 mo. average) to be reduced by 20% to reflect extraordinary costs</li> <li>◦ If market rent (1007) is derived from short-term rentals, market rent also must be reduced by 20%</li> </ul> </li> </ul>
<b>Asset</b>	<ul style="list-style-type: none"> <li>• Asset seasoning requirement: <ul style="list-style-type: none"> <li>◦ None</li> </ul> </li> <li>• Large Deposit: <ul style="list-style-type: none"> <li>◦ None, but UW has the discretion to confirm if a large deposit is an eligible type of asset</li> </ul> </li> <li>• Eligible Asset Documents <ul style="list-style-type: none"> <li>◦ 1 month bank statement</li> <li>◦ Bank certification showing current balance</li> <li>◦ Bank-prepared and stamped 30-day transaction history print-out</li> <li>◦ VOD</li> </ul> </li> </ul>

# DSCR I Guidelines

<b>Asset (Cont.)</b>	<ul style="list-style-type: none"> <li>Investment Accounts (stocks, bonds, mutual funds, savings bonds, etc.): <ul style="list-style-type: none"> <li>1 month statement</li> <li>100% can be used as reserves</li> </ul> </li> <li>Retirement Accounts (401K, IRA, etc.): <ul style="list-style-type: none"> <li>1 month statement</li> <li>100% can be used as reserves</li> </ul> </li> <li>Business funds: <ul style="list-style-type: none"> <li>CPA letter must be provided confirming borrower's % ownership in the business and confirming large withdrawal will not negatively impact borrower's business</li> <li>Account balance up to borrower's % ownership can be used toward down payment, closing costs, and reserves</li> </ul> </li> </ul>						
<b>Gift</b>	<ul style="list-style-type: none"> <li>100% gift fund (closing costs, down payment, and reserves) is allowed</li> <li>If gift funds are deposited directly into the escrow/closing agent: <ul style="list-style-type: none"> <li>Gift letter + escrow/closing agent receipt matching the gift letter/donor</li> </ul> </li> <li>If gift funds are deposited into borrower's checking/savings account: <ul style="list-style-type: none"> <li>Gift letter + 1 month bank statement + transaction history showing/matching the gift letter/donor</li> </ul> </li> </ul>						
<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>Allowed under the following conditions: <ul style="list-style-type: none"> <li>Seller must be related to the borrower by blood, marriage, adoption, or legal guardianship</li> <li>Seller must provide 12-month mortgage rating to confirm transaction is not a bail-out</li> <li>The new loan amount may not exceed seller's existing mortgage loan amount + closing costs</li> </ul> </li> </ul>						
<b>Proceeds from Sale of REO</b>	<ul style="list-style-type: none"> <li>Final settlement statement and paper trail of net proceeds must be provided</li> </ul>						
<b>Interested Party Contributions</b>	<ul style="list-style-type: none"> <li>Investment: <ul style="list-style-type: none"> <li>4% of the purchase price</li> </ul> </li> <li>Interested party contribution may not exceed the total closing costs of the loan</li> </ul>						
<b>Ineligible Assets</b>	<ul style="list-style-type: none"> <li>Cash on hand</li> <li>Bridge loan</li> <li>Gifts requiring repayment</li> <li>Advance on future earnings</li> <li>Unsecured loan</li> <li>Pledged asset</li> <li>Pooled savings</li> <li>Sweat equity</li> </ul>						
<b>Reserve Requirement</b>	<ul style="list-style-type: none"> <li>Reserve Requirement: <table border="1"> <tr> <th>Loan Amount</th><th># of Subject PITIA Reserve</th></tr> <tr> <td>\$150,000 - \$1,500,000</td><td>None</td></tr> <tr> <td>\$1,500,001 - \$2,000,000</td><td>4 months</td></tr> </table> </li> <li>Cash out net proceeds can be used as reserves</li> </ul>	Loan Amount	# of Subject PITIA Reserve	\$150,000 - \$1,500,000	None	\$1,500,001 - \$2,000,000	4 months
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\$150,000 - \$1,500,000	None						
\$1,500,001 - \$2,000,000	4 months						
<b>Credit</b>	<ul style="list-style-type: none"> <li>Tradeline requirement: <ul style="list-style-type: none"> <li>3 x 12 month (open or closed)</li> <li>Not required if 3 FICO scores report on the credit report</li> </ul> </li> <li>Authorized user account is not an acceptable tradeline</li> <li>Minimum of 2 FICO scores must report on the credit report</li> <li>Any frozen account must be unfrozen and re-pulled</li> </ul>						
<b>Housing Payment History</b>	<ul style="list-style-type: none"> <li>Private VOR or VOM is allowed (if the borrower is related to the landlord or the creditor, 12-month rating must be documented with 12-month bank statements or 12-month cancelled checks + most recent bank statement)</li> <li>No mortgage late allowed within the last 12 months (0 x 30 x 12)</li> <li>If borrower lives rent-free, rent-free letter must be provided (can only be from borrower's relative)</li> </ul>						

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Derogatory Event Seasoning	Bankruptcy (Ch 7, 11, or 13)	4 years	
	Foreclosure	4 years	
	Short Sale or Deed-in-Lieu	2 years	
	Loan Modification	2 years	
	NOD/NOS	None if rescinded AND if 0 x 30 x 12	
Derogatory Accounts	• Judgments, tax liens, charge-offs, and collections (excluding medical) must be paid in full at or before closing		
Disputed Accounts	• Disputed accounts (applicable to mortgage account only) – credit supplement must be provided to show that the disputes have been resolved		
Liabilities	• 30-day open account: <ul style="list-style-type: none"><li>○ Full account balance must be paid at or before closing; or</li><li>○ Additional reserve covering the full account balance must be verified</li></ul>		
Non-Warrantable Condo	• Acceptable non-warrantable condo project characteristic include (only 1 characteristic is allowed per file):		
	<u>Characteristics</u>	<u>Requirements</u>	
	Single Entity Ownership	<ul style="list-style-type: none"><li>• Up to 30% single-entity ownership if the project has 10+ units</li><li>• Max. 2 units owned by a single-entity if the project has 5-10 units</li></ul>	
	Pre-Sale	<ul style="list-style-type: none"><li>• 45% of the total units in the project or the subject legal phase must have been conveyed or be under contract for sale</li></ul>	
	Occupancy	<ul style="list-style-type: none"><li>• No max investor concentration</li></ul>	
	Commercial Space	<ul style="list-style-type: none"><li>• Commercial space up to 50%</li></ul>	
	Pending Litigation	<ul style="list-style-type: none"><li>• Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.</li></ul>	
	HOA Budget/Reserve	<ul style="list-style-type: none"><li>• ≥ 5% allocation of replacement reserves required</li></ul>	
	HOA Dues – % Delinquency	<ul style="list-style-type: none"><li>• Up to 25% of the units can be &gt; 60 days delinquent</li></ul>	
	Condo Conversion	<ul style="list-style-type: none"><li>• Condo conversion full gut – allowed via full project review</li><li>• Condo conversion non- or partial- gut – must be PERs approved</li></ul>	
	Condotels	<ul style="list-style-type: none"><li>• Allowed on a case-by-case basis</li></ul>	
		• Non-warrantable condo project requires full project review	
• Non-arm’s length transaction is not allowed on non-warrantable condo project			
Project Review	<ul style="list-style-type: none"><li>• Limited project review required if:<ul style="list-style-type: none"><li>○ Existing (1 year or older) attached condo</li></ul></li><li>• Full project review required if:<ul style="list-style-type: none"><li>○ New (less than 1 year) attached condo; or</li><li>○ Non-warrantable condo</li></ul></li><li>• Detached condo or PUDs do not require project review</li></ul>		

# DSCR I Guidelines



WHOLESALE MORTGAGE BANKERS

Eligible Property Types	<ul style="list-style-type: none"> <li>• SFR</li> <li>• PUD</li> <li>• Condo</li> <li>• Townhouse</li> <li>• 2-4 Units</li> </ul>
Maximum Acreage	<ul style="list-style-type: none"> <li>• 2 acres</li> </ul>
Zoning	<ul style="list-style-type: none"> <li>• Zoning must be legally permissible</li> <li>• If zoning is grand-fathered use or legal non-conforming: <ul style="list-style-type: none"> <li>◦ Rebuild letter or article from subject city's building authority confirming property can be rebuilt must be provided</li> </ul> </li> </ul>
Accessory Dwelling Unit (ADU)	<ul style="list-style-type: none"> <li>• 1 ADU on a SFR or 2 unit is eligible if: <ul style="list-style-type: none"> <li>◦ Appraisal report demonstrates the improvement is typical and marketable for the area by providing at least 1 comparable sale with an ADU</li> <li>◦ Legal description and property tax assessment is showing the property type as SFR or 2 unit without counting the ADU</li> </ul> </li> <li>• Separate rental income from the ADU is not counted toward borrower's qualifying income</li> </ul>
Unpermitted Addition	<ul style="list-style-type: none"> <li>• Not Allowed (on a case-by-case exception basis)</li> </ul>
Solar Panel	<ul style="list-style-type: none"> <li>• If solar panel is purchased free and clear: <ul style="list-style-type: none"> <li>◦ Appraiser can give value for the solar panel</li> <li>◦ No other action is required</li> </ul> </li> <li>• If solar panel is purchased through financing: <ul style="list-style-type: none"> <li>◦ Original financing agreement must be provided</li> <li>◦ For purchase transaction, fully executed financing transfer agreement must be provided</li> <li>◦ Remaining principal balance on the solar financing will be counted toward CLTV of the subject loan</li> <li>◦ Monthly payment amount must be counted toward borrower's PITIA</li> <li>◦ If solar lien is in senior position to the subject loan, the solar lien must be temporarily deleted/removed through UCC-3 or must be subordinated to the subject loan</li> <li>◦ Appraiser may or may not give value for the solar panel</li> </ul> </li> <li>• If solar panel is leased: <ul style="list-style-type: none"> <li>◦ Original financing agreement must be provided</li> <li>◦ For purchase transaction, fully executed financing transfer agreement must be provided</li> <li>◦ Monthly payment amount does not need to be counted toward borrower's PITIA</li> <li>◦ Solar lien does not need to be deleted/removed or subordinated</li> <li>◦ Appraiser cannot give value for the solar panel</li> </ul> </li> <li>• If solar panel is leased with a power-purchase agreement: <ul style="list-style-type: none"> <li>◦ Original power-purchase agreement must be provided</li> <li>◦ For purchase transaction, fully executed power-purchase transfer agreement must be provided</li> <li>◦ Monthly payment amount does not need to be counted toward borrower's PITIA</li> <li>◦ Solar lien does not need to be deleted/removed or subordinated</li> <li>◦ Appraiser cannot give value for the solar panel</li> </ul> </li> </ul>
Ineligible Property Types	<ul style="list-style-type: none"> <li>• Co-op</li> <li>• Manufactured home / Mobile home</li> <li>• Mixed use</li> <li>• Boarding home</li> <li>• Florida condo</li> </ul>
Eligible Ownership Types	<ul style="list-style-type: none"> <li>• Fee Simple</li> <li>• Leasehold (meeting agency guidelines)</li> </ul>

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<b>Max. # of Financed Properties</b>	<ul style="list-style-type: none"> <li>• 10 financed properties including subject</li> </ul>
<b>Max. Loan to One Borrower</b>	<ul style="list-style-type: none"> <li>• WMB will finance up to 10 properties or up to \$5,000,000 in unpaid principal balance, whichever is more restrictive</li> </ul>
<b>Property Flip</b>	<ul style="list-style-type: none"> <li>• Seller must provide satisfactory explanation and/or appropriate document supporting the value increase</li> <li>• Non-arm's length transaction is ineligible</li> </ul>
<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>• 1 appraisal required for loan amount &lt; \$1,000,000</li> <li>• 1 appraisal and desk review required for loan amount \$1,000,000 - \$1,999,999</li> <li>• 2 appraisals required for loan amount ≥ \$2,000,000</li> </ul>
<b>Transferred Appraisal</b>	<ul style="list-style-type: none"> <li>• Transferred appraisal with the following conditions: <ul style="list-style-type: none"> <li>◦ Desk review is required</li> </ul> </li> <li>• Original appraisal must address all revision or comment requests</li> </ul>
<b>Desk Review</b>	<ul style="list-style-type: none"> <li>• Desk review is required if: <ul style="list-style-type: none"> <li>◦ Fannie or Freddie UCDP score is &gt; 2.5</li> <li>◦ Appraisal has been transferred</li> <li>◦ Loan amount is \$1,000,000 - \$1,999,999</li> </ul> </li> <li>• Desk review order process: <ul style="list-style-type: none"> <li>◦ Upon receipt of satisfactory/finalized appraisal report, WMB will create a desk review order through a 3<sup>rd</sup> party vendor</li> <li>◦ Desk review payment link will be sent to borrower's email</li> <li>◦ Upon completion of borrower's payment, desk review order will be assigned to a 3<sup>rd</sup> party reviewer</li> <li>◦ Upon completion of desk review, WMB will review the desk review and notify the loan officer if additional action is necessary</li> </ul> </li> <li>• If the variation from the desk review is equal to or greater than -10%: <ul style="list-style-type: none"> <li>◦ Field review must be ordered through WMB's approved AMC</li> </ul> </li> <li>• Final valuation will be the lowest value appraised from the appraisal report, the desk review, and the field review</li> </ul>
<b>Value Seasoning (Cash-Out)</b>	<ul style="list-style-type: none"> <li>• For cash-out transaction, if subject was purchased less than 12 mo. ago, use lower of the: <ul style="list-style-type: none"> <li>◦ Original purchase price + improvement cost (must be documented); or</li> <li>◦ Appraised value</li> </ul> </li> <li>• For rate and term transaction, use the new appraised value</li> </ul>
<b>Flood Insurance</b>	<ul style="list-style-type: none"> <li>• Flood cert or equivalent must be delivered and acknowledged by the borrower 10 days prior to the note date</li> <li>• Flood insurance is required with coverage equal to \$250,000 (or the loan amount if loan amount is less than \$250,000)</li> <li>• Flood insurance premium must be paid in full prior to closing</li> <li>• Flood insurance must be impounded</li> </ul>
<b>Age of Documentation</b>	<ul style="list-style-type: none"> <li>• Credit documents: 90 days</li> <li>• Asset documents: 90 days</li> <li>• Appraisal documents: 120 days (can be extended for additional 60 days if 1004D is ordered prior to the 120-day expiration date)</li> <li>• Title documents: 90 days</li> <li>• CPL: 30 days</li> </ul>
<b>Escrow Waiver</b>	<ul style="list-style-type: none"> <li>• Property tax and insurance escrow/impounds can be waived</li> <li>• Individual state laws may supersede the above requirement</li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>• Investment property only</li> <li>• 4% flat structure</li> <li>• Prepayment Penalty can be bought down, bought up, or bought out</li> </ul>
<b>Listed for Sale</b>	<ul style="list-style-type: none"> <li>• If the property was listed within the 6 months prior to the application date, property must be taken off the market on or before the application date</li> <li>• Detailed LOE explaining why the property was listed for sale, why the listing was taken down, and if the borrower intends to retain the property for the foreseeable future</li> </ul>

## Vesting under Corp/LLC

- Borrower(s) (max. 4) must have a combined ownership of 50% in the Corp or LLC
- Entity is limited to a maximum of four (4) members or owners
- Layering of entity is not allowed
- All non-borrowing stockholders (for Corp) or members (for LLC) must sign Deed of Trust and Personal Guaranty at the time of loan doc signing
- Power of Attorney is not allowed if vesting under Corp or LLC
- The following documents are required if vesting under Corp:
  - Bylaw
  - Minutes or Resolution showing borrower's % ownership
  - Statement of Information – if applicable
  - Article of Incorporation
  - Certificate of Good Standing
- The following documents are required if vesting under LLC:
  - Operating Agreement showing borrower's % ownership
  - Statement of Information – if applicable
  - Article of Incorporation
  - Certificate of Good Standing