

EMET DSCR MULTI-FAMILY PRO

(5-8 Residential Units or 2-8 Mixed Use)

PURCHASE			
Property Type	Max Loan Amount	LTV/CLTV	Min. FICO
5-8 Residential Units or 2-8 Mixed Use	\$1,500,000	75	700
	\$2,000,000	70	
RATE/TERM REFINANCE			
Property Type	Max Loan Amount	LTV/CLTV	Min. FICO
5-8 Residential Units or 2-8 Mixed Use	\$1,500,000	70	700
	\$2,000,000	65	
CASH-OUT REFINANCE			
Property Type	Max Loan Amount	LTV/CLTV	Min. FICO
5-8 Residential Units or 2-8 Mixed Use	\$2,000,000	65	700

PROGRAM GUIDELINE SUMMARY

Products	<ul style="list-style-type: none"> 30-Yr & 15-Yr Fixed, 5/6 & 7/6 ARM, 5/6 & 7/6 ARM I/O
Index	<ul style="list-style-type: none"> 30-day average SOFR
Margin/Floor	<ul style="list-style-type: none"> 6.500%
CAPS	<ul style="list-style-type: none"> 5/6 ARM & 5/6 ARM I/O: 2/1/5 7/6 ARM & 7/6 ARM I/O: 5/1/5
Interest Only	<ul style="list-style-type: none"> I/O period 120 months Amortization term 240 months Loan term 360 months Qualifying payment ITIA Min Credit Score: 700
Min. Loan Amounts	<ul style="list-style-type: none"> \$400,000
Max cash-in-hand	<ul style="list-style-type: none"> \$1,000,000
Property Type	<ul style="list-style-type: none"> Residential 5 – 8 Units Mixed use 2 – 8 Units (Residential with Retail/Office/Restaurant) <ul style="list-style-type: none"> 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 Commercial General Liability Insurance required per occurrence \$1.0MM, aggregate coverage \$2.0MM
Acreage	<ul style="list-style-type: none"> Property up to 2-acres, not meeting the rural definition, eligible
Unleased Units	<ul style="list-style-type: none"> Maximum: 1 vacant unit on 2-3 Unit property. 2 vacancies on 4+ Units.
Eligible Borrowers	<ul style="list-style-type: none"> U.S. citizens Permanent resident aliens Non-Permanent resident aliens
Non-Arm’s Length Transactions	<ul style="list-style-type: none"> Not Allowed
Document Age	<ul style="list-style-type: none"> Underwriting and borrower credit documents may not be more than 90 days seasoned at the Note date. The Appraisal must be dated within 120 days of the Note date. An Appraisal exceeding 120 days is not eligible and a new appraisal is required.
Credit Score	<ul style="list-style-type: none"> Min. 700 FICO Middle of 3 scores or lower of 2
Housing History	<ul style="list-style-type: none"> 0x30x12

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Tradelines Requirement	<ul style="list-style-type: none"> ▪ Min: 2 reporting 24-months w/activity in last 12- months or 3 reporting 12-months w/recent activity ▪ For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually).
Bankruptcy, Foreclosure, Short Sale, Deed-In-Lieu, Loan Modification	<ul style="list-style-type: none"> ▪ ≥ 36 months: No reduction
Charge offs, Collections	<ul style="list-style-type: none"> ▪ Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity. <ul style="list-style-type: none"> - 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. - 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. - Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented. ▪ Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using the following: <ul style="list-style-type: none"> - Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.
Judgments, Tax Liens	<ul style="list-style-type: none"> ▪ All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.
Disputed Accounts	<ul style="list-style-type: none"> ▪ 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 payment can be included in the total debt calculation and the account can remain in dispute. ▪ The total aggregate balance of accounts in dispute remaining unresolved can't exceed \$2,000.
Credit Inquiries	<ul style="list-style-type: none"> ▪ Recent inquiries within 90 days of the credit report date must be explained by the borrower
Debt Service Coverage Ratio (DSCR)	<ul style="list-style-type: none"> ▪ Minimum DSCR ≥ 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 ≥ 1.00 and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater)

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<p>Employment/ Income</p>	<ul style="list-style-type: none"> ▪ 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. ▪ Neither the Borrower(s) nor the borrower’s immediate family shall at any time occupy the property.
<p>Property Rental Income</p>	<ul style="list-style-type: none"> ▪ Leased property: DSCR is based upon the contracted monthly rent amount from the lease <ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> - 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 and cash-out transactions, such as recently completed renovation, tenant turnover, etc. ▪ Vacancies <ul style="list-style-type: none"> - 1-4 Units: Vacant unit qualify at 75% of market rent (Maximum 1 vacancy).
<p>Occupancy</p>	<ul style="list-style-type: none"> ▪ Residential unit(s) not permitted to be owner-occupied. ▪ Commercial unit(s) may be occupied by the borrower’s business.
<p>Investor Experience</p>	<ul style="list-style-type: none"> ▪ Experienced Investor: <ul style="list-style-type: none"> - An individual borrower having a history of owning and managing commercial or N/O/O residential real estate for at least 1 year in last 3 years. For files with more than one borrower, only one borrower must meet the definition. ▪ First-time investors not eligible.
<p>Asset</p>	<ul style="list-style-type: none"> ▪ Account Statements should cover most recent 60-day period. Large deposits must be sourced. ▪ VOD should be dated within 30 days of loan application date. ▪ Stocks/Bond/Mutual Funds 100% of stock accounts can be considered in the calculation of assets for closing and reserves.

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	<ul style="list-style-type: none"> ▪ Vested Retirement Account funds 60% may be considered for closing and/or reserves. ▪ Non vested or res tricked stock accounts are not eligible for use as down payment or reserves. ▪ 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 US domiciled account in the borrower's name at least 10 days prior to closing.
Min. Borrower Contribution	<ul style="list-style-type: none"> ▪ Min 10% borrower contribution required
Gift Funds	<ul style="list-style-type: none"> ▪ Not allowed
Reserves	<ul style="list-style-type: none"> ▪ 6 months of PITIA ▪ Loan Amount > \$1.5M: 9-months of PITIA ▪ Cash out may be used to satisfy requirement
Max. Seller Contribution	<ul style="list-style-type: none"> ▪ 3% all LTVs
Rate/Term Refinance	<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> - 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 non 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 <p>Other Considerations:</p> <ul style="list-style-type: none"> ▪ 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 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 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

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	<ul style="list-style-type: none"> ▪ Refinance of a previous loan that provided cash out, as measured from the previous note date to the new note date, and is seasoned less than 12 months, will be considered a cash out refinance ▪ Ineligible if there has been a prior cash-out transaction in the past 6 months
Cash-Out Seasoning	<ul style="list-style-type: none"> ▪ 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 less than 6 months is not allowed when the prior transaction was also a cash-out. ▪ Cash-out seasoning of six (6) months or less is allowed with the following restrictions: <ul style="list-style-type: none"> - 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 cash-out transaction is based upon the lower of the current appraised value or the property’s purchase price plus documented improvements. - Delayed financing - The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less, as evidenced by a copy of the settlement statement and original Note. - The borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
Listed Properties	<ul style="list-style-type: none"> ▪ Rate/Term: Cannot be listed for sale on date of loan application. Value will be based on the lesser of lowest list price or appraised value. ▪ Cash Out: Cannot be listed for sale in prior 6 months from date of loan application unless there is a prepayment penalty of three (3) years. If a property is listed for sale, the listing must be cancelled prior to the note date. The value will be based on the lesser of the lowest list price or appraised value.
Appraisal	<ul style="list-style-type: none"> ▪ 5-8 Residential <ul style="list-style-type: none"> - FHLMC 71A, FNMA 1050 or similar short form used to appraise 5+ residential properties, or - Narrative report can be utilized but not required. ▪ 2-8 Mixed Use <ul style="list-style-type: none"> - 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.

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	<ul style="list-style-type: none"> ▪ The following attachments required for 5-8 Residential and 2-8 Mixed Use appraisal reports: <ul style="list-style-type: none"> - 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 Product – A commercial BPO required for all loans. <ul style="list-style-type: none"> - In Pennsylvania and North Carolina, a commercial evaluation product is used instead of a commercial BPO.
Transferred Appraisal	<ul style="list-style-type: none"> ▪ Allowed <ul style="list-style-type: none"> - Executed Appraisal Transfer Letter - First generation appraisal report - Copy of the invoice submitted to the original lender - Proof that the original report was provided to the borrower
Desk Review	<ul style="list-style-type: none"> ▪ Required unless a second appraisal is obtained.
Property Condition	<ul style="list-style-type: none"> ▪ 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)
Mixed Use	<ul style="list-style-type: none"> ▪ Commercial use limited to retail, restaurant or office space. ▪ Residential/Commercial zoning acceptable.
Number of Financed Properties	<ul style="list-style-type: none"> ▪ Max. 4 financed properties & Max. \$5 MM in current unpaid principal balance UPB
SECONDARY FINANCING	<ul style="list-style-type: none"> ▪ Private-party secondary financing not allowed ▪ Secondary financing must be subordinated and included in CLTV ▪ 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
Escrow Waiver	<ul style="list-style-type: none"> ▪ Ineligible: Taxes and insurance escrows required for all loans.
Title Vesting & Ownership	<ul style="list-style-type: none"> ▪ Ownership must be fee simple title. Leaseholds are not eligible. ▪ Title vesting in an inter vivos revocable trust is permitted - Must meet FNMA guideline

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Chain of Title	<ul style="list-style-type: none"> 24-month title history is required. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24 months.
Power of Attorney	<ul style="list-style-type: none"> Not allowed for Cash-Out
Prepayment Penalty	<ul style="list-style-type: none"> Prepayment periods up to 5-Years eligible, see rate sheet. Penalties not allowed on loans vested to individuals in NJ. 3%, 4%, or 5% fixed percentage - 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. Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) - The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.
Interest Credit	<ul style="list-style-type: none"> Loans closed within the first five (5) days of the month may reflect an interest credit to the borrower.
Vested In an Entity	<ul style="list-style-type: none"> Only allowed for Business Purpose Loans (Investment Occupancy) Limited to the following structures: LLC, Partnership, and Corporation Purpose and activities are limited to ownership and management of real property. Multi-level entity structures are allowed subject to entity documentation requirements met for all entities. Entity must be domiciled in a U.S. State. Entity is limited to a maximum of four (4) member(s) or manager(s). Personal guaranties must be provided by member(s)/manager(s) representing at least 50% ownership of the entity. A guarantor must have authority to execute loan documents on behalf of the entity. Each Entity member providing a Personal Guaranty (full recourse) must complete a FNMA Form 1003. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the FNMA Form 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. Such structures shall be initiated and arranged by the members of the Entity.

PROGRAM GUIDELINE SUMMARY

- Documentation required for the different entity types

Limited Liability Company (LLC)

- Entity articles of organization or partnership (or equivalent)
- Evidence of good standing: Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization)
 - ✓ If not available, a Borrowing Certificate is required
- Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
- EIN/Tax Identification Number
 - ✓ Single member LLC may use EIN or the guarantor social security number
 - ✓ Multi-member LLCs require an EIN

Corporation

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

Partnership

- Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
- Partnership Agreement and all amendments
- Evidence of good standing: Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
- EIN/Tax Identification Number
- Limited partner consents (where required by partnership agreement).

- Closing docs to be signed by the guarantor(s)
- Spousal consent to pledge.

PROGRAM GUIDELINE SUMMARY

Fraud Report

Fraud report must be provided. Seller may address any high alert or red flag with its attestation.

- OFAC SDN screening criteria to be added for all transaction participants and for all doc types.
- Criteria applies to all transaction participants, not strictly the borrower and seller.
- Criteria applies to all programs.