

## Non-Conforming QM Overlays/Matrix

This document defines the lending criteria for Investor Portfolio loans and offers overlays to the Agencies (defined as Fannie Mae or Freddie Mac) published guidelines. If there is/are conflict(s) between this document and Agency guidelines, this document will supersede. For items not addressed, please refer to the applicable Fannie Mae or Freddie Mac published guidelines. The document provides requirements on loan products and programs eligible for purchase by the Investor. In addition to applying these defined overlays, Counterparties cannot "co-mingle" Fannie's and Freddie's guidelines in the origination process meaning the loan's underwriting process must be fully consistent with one or the other.

Loans must contain AUS output with acceptable findings that will provide the guidance for which Agency's underwriting criteria to utilize. Acceptable finding are defined below.

- DU (Desktop Underwriter): Approve/Eligible, Approve/Ineligible
- LP (Loan Product Advisor): Accept/Ineligible, Streamline Accept/Ineligible

The AUS documentation requirements are superseded by the overlays defined below

Minimum Loan Amount	\$400,000
Eligible products	5/6, 7/6, 10/6 SOFR, 15 yr fixed, 30 yr fixed
Loan amounts over \$3 Million	All loans over \$3MM need prior approved by Investor prior to rate lock. Investor will review income, assets, credit and property documents as well as the information completed by the underwriter

CLTV / FICO LIMITS				
Property Category	Purpose	Max Loan Amount	Max CLTV	Min FICO
<b>Category 1:</b> All geographies: 1 unit single family attached, single family detached, planned unit development, site 'condominiums' <sup>1</sup> NYC <sup>2</sup> : 2 - 4 unit properties All geographies: BKU warrantable condominium	Purchase and Rate and Term	\$1,000,000	80%	700
		\$1,500,000	80%	720
		\$1,500,000	75%	680 <sup>3</sup>
		\$1,500,000	60%	680 <sup>3</sup>
		\$2,000,000	80%	740
		\$2,000,000	70%	720
		\$2,500,000 <sup>4</sup>	75%	740
<b>Category 2:</b> All non-NYC geographies: 2-4 unit property All geographies: BKU warrantable condominium	Purchase and Rate and Term	\$1,000,000	75%	700
		\$1,500,000	70%	680 <sup>3</sup>
		\$1,500,000	60%	680 <sup>3</sup>
		\$2,000,000	75%	740
		\$2,000,000	65%	720
<b>Category 3:</b> All geographies: BKU warrantable condominium	Purchase and Rate and Term	\$1,000,000	70%	700
		\$1,500,000	65%	680 <sup>3</sup>
		\$1,500,000	60%	680 <sup>3</sup>
		\$2,000,000	70%	740
		\$2,000,000	60%	720
		\$3,000,000 <sup>4</sup>	60%	740

1 Site condominium: Attached or detached single family residences with condo designation. The project must be located on one contiguous parcel of land. Each residence must have their own Homeowners insurance

2 New York consists of the following counties: Bronx, Kings, New York, Queens, and Richmond

3 **NO CASH OUT OR NON OWNER OCCUPIED TRANSACTIONS ALLOWED WITH FICO BELOW 700**

4 Loan amounts greater than \$2,000,000, require preapproval from Investor prior to registering or locking the loan

5 Maximum cash out limit is \$1,000,000

## Occupancy CLTV Adjustments \*\*

Occupancy	Purchase	Rate/Term Refinance	Cash Out <= \$300K	Cash Out \$300K - \$500K	Cash Out > \$500K
Primary	0%	0%	-5%	-10%	-15%
Second Home	-5%	-5%	-15%	-20%	
Investment	-5%	-10%			
*Requires two appraisal					
Other Adjustments **					
Declining Markets	-5%				
Unique Properties	-5%				
<b>** Adjustments cannot reduce CLTV limit below 45%</b>					
Temporary buydowns	Not available				
Assumable	Fixed rate: not assumable 5/6, 7/6, 10/6 (SOFR) product is assumable with lender's consent to a qualified applicant after the fixed rate has been reached				
Prepayment Penalty	NA				
Geographic lending areas	All states and the District of Columbia except Alaska, Alabama, Louisiana, and Mississippi The Commonwealth of Puerto Rico, Guam, American Samoa, the U.S., Virgin Islands and the Northern Mariana Islands are not eligible				

### ARM TERMS

The calculation of the qualifying payment amount for the subject property will differ based on the transaction type (as showing in the following table). For all loans, the qualifying rate is based on the original loan amount and the loan amortization term. Please Follow Agency (FNMA/FHLMC) Guidance for qualifying payment.

<sup>1</sup>Qualifies at the greater of the maximum rate that could apply during the first five years after the first payment date (note rate plus first rate change cap), or the fully indexed rate

<sup>2</sup>ARMS with fixed periods greater than 5 years qualify of the Note rate

**Exception:** Greater of the note rate or the fully indexed rate for loans that are higher priced mortgage loans or higher priced covered transactions under Regulation Z (must be manually underwritten)

ARM Details ARM Terms	SOFR
Index	30 day average SOFR
Initial fixed period	5 <sup>1</sup> , 7 <sup>2</sup> , or 10 <sup>2</sup> years
Rate adjustment period	6 months
Initial cap	2%
Periodic cap	1%
Life cap	5%
Margin	2.25%
Term	360%
Look back period	Index established 45 days prior to change date
Conversion feature	No

## GENERAL REQUIREMENTS

Loan Term	Mortgage term may not extend greater than 30 years
Prepayment Penalties	Not allowed
Underwriting	Manual underwriting is required regardless of AUS output. Day One Certainty validation of income/assets is not acceptable. Used traditional methods for validating Applicant(s) income/employment, such as: paystubs, W2s, Verification of Employment, etc'
Max DTI	43%
	Purchase Limited cash out (DU) / no cash out refinance (LP) Delayed financing is allowed to recoup funds used to purchase the property only when the subject

Eligible Transactions	property was acquired utilizing personal assets or funds from applicant(s) business, regardless of GSE guidelines. Application date must be within 6 months of the closing date per fully executed Closing Disclosure or Settlement Statement. (Delayed Financing / Technical Refi transactions are considered under Rate and Term) Cash out refinance
Ineligible Transactions	Properties listed for sale: Cash out refinance is not allowed on a property currently listed for sale or has previously been listed for sale in the last 12 month period prior to application Escrow holdbacks: Investor does not purchase loans where escrow holdbacks have not been settled Land Loans: The Investor does not purchase loans that it deems, in its sole discretion, to be a "land" loan Seller Second mortgages (carry backs) are not allowed Construction loans including single close construction loans are not allowed Reverse 1031 Exchange
Occupancy	Primary residence Second home (second homes with rental income reported on the tax returns will be viewed as an investment property regardless of Agency guidelines) Investment
Eligible borrowers	Refer to Agency eligible borrowers, and the following: o Land trust in some states if the beneficiary is an individual
Ineligible borrowers	Foreign borrowers (NRA)
Non arm's length policy	If non arm's length transaction is indicated, the following conditions should apply: (Follow Agency definition) o The property must be owner occupied o For loan less than or equal to \$1,000,000, a field review must be completed o For loans greater than \$1,000,000, a second appraisal is required o The appraiser must verify the purchase price and last sale date of the subject property o No subordinate financing from interested party is allowed o Seller concessions are not allowed
Continuity of obligations	At least one borrower on the transaction must own the subject property at the time of application. AND if debt secured by subject property being paid off at closing, at least one of the borrower must be the obligor on that Note
1031 exchange	Contact Account Executive or Manager for details

## Credit

Follow Agency requirements with the overlays below.

Credit Report	0x30 in most recent 24 months for housing history Non traditional credit references not allowed on Jumbo portfolio products Each Applicant must have a minimum of 3 trade lines with at least 2 of the three being active trade lines (active trade lines is defined as last activity date less than or equal to 12 months from the current date) with 12 months satisfactory payment history At least one of the three trade lines must have a minimum of 24 months credit file history Credit reports must be free of frozen or suppressed information
Age of documentation	Follow FNMA / FHLMC guidelines (Appraisal cannot be greater than 180 days from the Note date)
Rapid Rescore/FICO Refresh	Rapid Rescore/FICO Refresh or Credit Supplements are not acceptable if the change from the initial credit report pertain to payoff or paydown of revolving debt. They are acceptable for changes to initial credit report that correct errors in the report

## Income/Employment Verification

Follow Agency requirements with the overlays below

Verbal Verification of Employment (VVOE)	A verbal verification of employment (VVOE) is required on every loan. The VVOE must be obtained within 10 business days of the Note date. If the information provided by independent third party vendor (such as Work Number) is stale, the seller must provide most recent paystub for pay period that is dated within 10 business days of the Note date
VVOE for Self Employed	The verification of the applicant's business from third party entity such as a CPA, regulatory agency, or applicable licensing bureau within 10 business days of the Note date is required
W-2	Two years required
Tax returns	Minimum two years of personal and business tax returns including all schedules are required if used to qualify
Tax return transcripts	<p>Tax return transcripts must be obtained when tax returns used for qualification</p> <p>Executed 4506-T or 4506-C must be provided with each loan file</p> <p>Acceptable documentation in lieu of tax transcripts: If the returns have not been processed and the response is "no record" we will accept the following in lieu of transcripts:</p> <ul style="list-style-type: none"> <li>o Proof returns were filed</li> <li>o Email showing acceptance of returns, or</li> <li>o Letter from CPA person who prepared and mailed the returns, or</li> <li>o Stamped first page of returns</li> </ul> <p>Proof of tax payment status</p> <ul style="list-style-type: none"> <li>o Printout from IRS Where's My refund site, or</li> <li>o Proof taxes were paid, or</li> <li>o Copy of cancelled check showing withdrawal of funds to IRS, or</li> <li>o Proof through bank statements of receipt of refund</li> </ul> <p>1040s signed ink (not electronic) signature</p>
RSU	Must use FHLMC requirements and calculation guidance
Asset Depletion	<p>Must use FHLMC requirements and calculation guidance</p> <p>Provide two months consecutive bank/asset statements</p>
Ineligible income	Income derived from marijuana related business

## Asset Verification

Follow Agency requirements with the overlays below.

Asset documentation	<p>Depository or retirement accounts: Minimum two months bank statements required</p> <p>Business accounts: Minimum three months bank statements required</p>	
Ineligible assets	<p>Crypto currency</p> <p>Assets derived from marijuana related business</p>	
Reserves requirements	<p>Up to \$1,000,000</p> <p>\$1,000,001 - \$2,000,000</p> <p>\$2,000,001 - \$3,000,000</p> <p>Greater than \$3,000,000</p> <p>Additional residential property listed on the application</p> <p>Second Home</p> <p>Investment property</p> <p>Payment shock &gt; 100 not caused by a reduction in term or a change from ARM to fixed or interest only to amortizing</p>	<p>9 months reserves</p> <p>12 months reserves</p> <p>18 months reserves</p> <p>Minimum 24 months reserves</p> <p>6 months PITIA for that property</p> <p>Add 6 months</p> <p>Add 6 months</p> <p>Add 6 months</p>

## Property

Investor stance on AMC	We do not require the use of AMC's. It is the lender's responsibility to review and approve the appraisers you use and to monitor the quality of their work. As long as you follow all guidelines and guidance for appraisal practices and your appraisers do quality work we will rely on your organization to determine with whom you do business
Appraisal	<p>Regardless of AUS findings, a Full USPAP appraisals required for all loans with interior and exterior inspections. Property Inspection Waivers (PIW) are not allowed regardless of the AUS findings Based on the loan amount or transaction type a second appraisal may be required</p> <p><b><u>One Appraisal</u></b> Loan amounts up to and including \$1,500,000 A CDA supporting value is required to be obtained either by the originator or Due Diligence vendor If there is a difference greater than 10% between the Appraised Value and the CDA, both documents must be submitted to the Investor for further review</p> <p><b><u>Two Appraisals</u></b> Required for loan amounts exceeding \$1,500,000. The Lesser of both values to be utilized for LTV/CLTV calculations Cash out exceeds \$500,000 Requested by Investor for clarification or to support property value Non arm's length transactions including interested party transaction with loan amount &gt; \$1,000,000 Property being transferred within six months of precious transfer</p>
Ineligible property types	<p>Refer to FNMA list of ineligible properties, and the following except Agricultural properties and excessive acreage can be considered on a case by case basis:</p> <ul style="list-style-type: none"> <li>o Manufactured homes, group homes, earth homes, hay bale homes, Indian reservation or tribal land homes, and dome homes are not allowed and;</li> <li>o Condo projects involved in litigation</li> </ul>
Condominium projects	Contact Account Executive or Manager for details
Condo square footage	500 min square feet
Max Investor residential exposure limitation	<p>Investor limits the number of residential mortgages granted to the same borrower to a maximum of three loans to any type to a maximum total credit exposure (TCE) of \$10 million, if more than then three loans TCE \$2 million</p> <p>Joint ownership is counted against the maximum properties financed limits. The limitation applies to the borrower's ownership and mortgage obligations on 1-4 unit properties only</p> <p>This maximum number of financed properties does not include properties that are held in the name of an LLC, partnership, or trust which the borrower controls. If a borrower transfers a property title to their business in order to meet the limit on multiple mortgages to the same borrowers, the borrower must provide a copy of the creditor's release of liability</p>

An eligible loan is a loan that has been underwritten and approved by the Lender, to the Guidelines and has been reviewed and validated by the Due Diligence Vendor (unless the due diligence review was waived by Investor). The Loan must be in compliance with all applicable federal, state, and local laws and regulation as determined by the Investor's Due Diligence Vendor upon completion of its review