



Non-QM15 Program Guide

Version 18

October 05, 2026

(Effective for locks taken out on or after **October 05, 2026**)

The Non-QM program includes full and alternative documentation options. The alternative documentation options include personal or business bank statements, third party profit and loss statements, 1099 statements and written verification of employment. There is one rate sheets for this program: Non-QM15. The eligibility matrices for each rate sheet are in [Appendix D](#) of this guide.

All information contained herein is proprietary and shall be kept confidential

Revision Summary

Version	Section	Update Summary
10.05.2026 v18	Guidelines	<ul style="list-style-type: none"> Updated to Version 18
	2.0/5.0	<ul style="list-style-type: none"> Moved the requirements for the third-party report from Section 5.0.
	5.1	<ul style="list-style-type: none"> Clarified the requirements for a Non-Permanent Resident Alien. Added U.S. based Limited Liability Companies, Partnerships and Corporations as eligible borrowers for investment properties held for business purposes.
	5.2	<ul style="list-style-type: none"> Removed Limited Liability Companies, Partnerships and Corporations as ineligible borrowers. Added Guardianship and Life Estates as ineligible borrowers.
	5.4	<ul style="list-style-type: none"> Added ownership section.
	7.1	<ul style="list-style-type: none"> Added current mortgage payments can be excluded from the DTI with an executed sales contract and confirmation that any financing contingencies have been cleared.
	7.2	<ul style="list-style-type: none"> Amended the cash to the borrower on a rate and term refinance to the greater of 1% of the amount or \$2,000.
	8.0	<ul style="list-style-type: none"> Clarified classic FICO is the required credit score model. Moved the requirements for borrowers enrolled in credit counseling or debt management plans to Section 8.4.
	8.3	<ul style="list-style-type: none"> Amended the time period a borrower has lived in a rent-free situation to twelve months if the prior twelve months housing history can be documented.
	8.4	<ul style="list-style-type: none"> Moved the requirements for borrowers enrolled in credit counseling or debt management plans from Section 8.0.
	9.5	<ul style="list-style-type: none"> Added 1 Year Full Documentation as an eligible documentation type.
	9.6	<ul style="list-style-type: none"> Clarified the documentation type to be used for eligibility and pricing when there are multiple sources of income.
	10.1	<ul style="list-style-type: none"> Clarified bank statements must be in the native format issued by the financial institution and income calculation worksheets must be provided with every loan. Added recent payroll activity as a method for verifying the business is active and operating.
	10.2	<ul style="list-style-type: none"> Added recent payroll activity as a method for verifying the business is active and operating.
	10.7	<ul style="list-style-type: none"> Clarified the documentation type to be used for eligibility and pricing when there are multiple sources of income.
	12.0	<ul style="list-style-type: none"> Added a FNMA approved third-party vendor as an acceptable asset verification method. Added proof of liquidation of market based, non-depository assets are required if the total value of non-depository assets is less than 120% of the funds needed for closing from those

		<ul style="list-style-type: none"> accounts. Amended to allow 100% of the value of stocks and bonds to be used as reserves. Amended to allow vested stock options for closing but not reserves. Amended to allow 100% of vested retirement accounts to be used as reserves if the borrower is 59.5 years old. Removed the requirement for a CPA letter or cash flow analysis to confirm the withdrawal of business assets will not negatively impact the business. Clarified 1031 Exchange Funds are allowed for closing but not reserves and Reverse 1031 Exchange Funds are not allowed. Amended to allow cryptocurrency for reserves without liquidation subject to restrictions.
	12.1	<ul style="list-style-type: none"> Amended to allow gift funds for investment properties with a minimum borrower contribution of 10%. Amended to allow gifts of equity on primary residences only.
	13.1	<ul style="list-style-type: none"> Clarified the documents required to evidence a condominium is agency warrantable.
	13.5	<ul style="list-style-type: none"> Amended to use the field review or second appraisal value to determine the LTV/CLTV when the desk review and field review/second appraisal reflect a negative variance in excess of 10% from the original appraised value.
	14.5	<ul style="list-style-type: none"> Amended to show restrictions in MI and OH
	14.6	<ul style="list-style-type: none"> Amended the interested party contributions to 9% for LTV/CLTV $\leq 75\%$ and 6% for LTV/CLTV $> 75\%$ on primary residences and second homes and 6% for investment properties.
	14.7	<ul style="list-style-type: none"> Amended to align the hazard insurance requirements with FNMA.
	Appendix A	<ul style="list-style-type: none"> Removed the initials section from the Business Purpose & Occupancy Affidavit.
	Appendix B	<ul style="list-style-type: none"> Added the Personal Guarantee form.
	Appendix C	<ul style="list-style-type: none"> Added the Spousal Consent to Pledge form.
	Appendix D	<ul style="list-style-type: none"> Amended the Non-QM 15 program matrix.

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1.0 Fair Lending Statement

Federal law prohibits discrimination in connection with the origination of 1-4 family mortgage loans. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Also, the Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. It is the responsibility of all CW Lending buyers and sellers to ensure that they adhere to these laws and their underlying principles in connection with mortgage loans purchased and sold via CW Lending.

2.0 Overview

All loans must be manually underwritten and documented per the requirements in this guide. CW Lending may approve exceptions on a case-by-case basis with strong compensating factors. Where the guidelines are silent, default to Fannie Mae (FNMA).

The lender is required to order a third-party report (First American FraudGuard or similar) to identify and resolve any information discrepancies and indications of possible fraudulent activity. The report should include a comparison of all transaction participants against industry watch/ exclusionary lists and OFAC. For loans not vested in an entity, a report is required for each borrower. For loans vested in an entity, a report is required for each Guarantor. The entity and each non-Guarantor must be included in the report as transaction participants and screened against industry watch/exclusionary lists and OFAC.

The lender should also review the loan against the CW Lending Watchlist, which is available in the LoanExchange Resource Center. Loans impacted by the watchlist may be subject to additional due diligence. Lenders should proactively address loans impacted by the watchlist during the loan origination process to avoid potential issues.

See Appendix D (Program Matrix) for additional State Restrictions.

3.0 Products

3.1 Products Offered

Fixed Rate Products

A fixed rate mortgage is a mortgage transaction in which the interest rate remains fixed throughout the amortized term.

- **Terms:** 30 Year amortization. Qualified using the fully amortizing payment.

- **Interest-Only Options:**

- 30-Year: 10-year initial interest-only period followed by a 20-year fully amortizing period. Qualified using the 20-year fully amortizing payment.
- 40-Year: 10-year initial interest-only period followed by a 30-year fully amortizing period. Qualified using the 30-year fully amortizing payment.

Adjustable Rate Products

An Adjustable Rate Mortgage (ARM) is a mortgage transaction in which the interest rate changes at specified intervals.

- **Terms:** 5yr/6m and 7yr/6m initial adjustable rate period options with 30-Year amortization. Qualified using the fully amortized payment based on the greater of the Note rate or the fully indexed rate for 5yr/6m or the Note rate for 7yr/6m. The fully indexed rate is the sum of the index and the margin. The greater of the Note rate or the fully indexed rate is required for loans that are higher-priced mortgage loans or higher-priced covered transactions under Regulation Z.
- **Interest-Only Options:**
 - 30-Year: 10-year initial interest-only period followed by a 20-year fully amortizing period. Qualified using the 20-year fully amortizing payment based on the greater of the Note rate or the fully indexed rate for 5yr/6m or the Note Rate for 7yr/6m. The greater of the Note Rate or the fully indexed rate is required for loans that are higher-priced mortgage loans or higher-priced covered transactions under Regulation Z.
- **Caps**
 - 5yr/6m: 2%/1%/5% (Initial, Periodic, Lifetime)
 - 7yr/6m: 5%/1%/5%
- **Index:** 30 Day Average SOFR Index as published by the New York Federal Reserve.
- **Margin:** 4.00%
- **Floor:** never less than the Margin
- **Rounding:** to the nearest one-eighth of one percentage point (0.125%).
- **Look-Back:** 45 Days

See Appendix D (Program Matrix) for eligible products.

4.0 Regulatory Compliance

Seller must ensure that each loan delivered to CW Lending has been originated, closed, serviced and transferred in compliance with all applicable federal, state and local laws and regulations. To the extent applicable to the subject transaction, loans must adhere to the Ability to Repay (ATR) rule effective 3/1/21, and the TILA-RESPA Integrated Disclosure (TRID) rule effective 10/3/15.

All applicable closing documentation and disclosures pertaining to the above regulations should be included in the closed file submission.

CW Lending will not purchase loans which are: (a) Mortgage Loans subject to, 12 CFR Part 1026.32 or, 1026.34 of Regulation Z, the regulation implementing TILA, which implements the Home Ownership and Equity Protection Act of 1994, as amended, or (b) classified and/or defined, as a "high cost," "threshold," "predatory high risk home loan," or "covered" loan (or a similarly-classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points and/or fees) under any other applicable state, federal, or local law. CW Lending will purchase loans compliant under New York Banking Law § 6-m - Subprime Home Loans.

Closing & Loan Delivery Requirements

Wet Signatures

The following documents must be wet signed:

- Note and Addendums
- Security Instrument and Riders
- Allonges
- Power of Attorney
- Business Purpose & Occupancy Affidavit, when a Notary field is present on the form
- Personal Guaranty Agreement

Interest Credits at Closing

Up to 10 calendar days of per diem interest may be credited to the borrower at closing. The per diem interest credit may not result in cash back to the borrower.

HMDA Reporting

For loans delivered under this program, the HMDA Reporting Code for Purchaser is:

- Code 9 – Other Type of Purchaser.

5.0 Borrower Eligibility

Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number. The maximum exposure to CW Lending for a borrower is 10 loans or \$5,000,000.

5.1 Eligible Borrowers

- United States Citizens
- Permanent Resident Aliens
 - Copy of a valid resident alien card must be included in loan file.
- Non-Permanent Resident Aliens
 - Copies of passport and unexpired visa must be included in loan file.
 - A borrower with an expired, but otherwise acceptable visa type, is permitted with (A) an unexpired Employment Authorization Document (EAD), I-94 or I-797 and (B) a letter from the employer or verification of employment reflecting continuance is likely. A self-employed borrower with an expired visa is not eligible.
 - A borrower without a visa (expired or unexpired) is permitted with one of the following.
 - Grant of Asylum (Asylee) is permitted with letter from United States Citizenship and Immigration Services indicating eligibility and completed I-94 indicating borrower has been granted asylum in the United States. Borrowers pending Asylum are not eligible.
 - Deferred Action for Childhood Arrivals (DACA) approval
 - Must have a minimum of two year employment history in the U.S. and qualifying income must be from the U.S.
 - No funds from outside the U.S are allowed.
- Inter-Vivos (Living) Revocable Trusts
 - Trust must be established by one or more natural persons, individually or jointly.
 - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
 - 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.
 - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state

- law.
 - The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter-vivos revocable trusts.
 - Title to the mortgaged property may be vested:
 - (1) solely in the trustee(s) of the inter-vivos revocable trust, or,
 - (2) jointly in the trustee(s) of the inter-vivos revocable trust and in the name(s) of the individual borrower(s), or,
 - (3) in the trustee(s) of more than one inter-vivos revocable trust.
 - The title insurance policy (or ownership report, where applicable) must ensure full title protection to the Seller and must state that title to the mortgaged property is vested in the trustee(s) of the inter-vivos revocable trust. It must not list any exceptions with respect to the trustee(s) holding title to the mortgaged property or to the trust.
 - The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.
 - Title held in the trust must not diminish the mortgagee's rights as a creditor, including the right to have full title to the security property vested in the mortgagee should foreclosure proceedings have to be initiated to cure a default under the terms of the related mortgage; and
 - The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co-borrower).
- U.S. based Limited Liability Companies (LLC), Partnerships and Corporations (allowed on investment properties held for business purposes only): while ownership of the subject property may vest in an entity, individual members of the entity must act as guarantors. Layered entities are permitted provided all guideline requirements are met for each entity and the ownership chain is traced until all individual members are identified.
 - Copies of the entities Articles of Organization, Operating Agreements (if required by the state), Tax Identification Number and Certificate of Good Standing must be provided.
 - Copies of other corporate documents needed to determine ownership percentage and authority to execute documents on behalf of the entity must be provided if Operating Agreements with this information are not provided.
 - One or more members representing at least 25% ownership of the entity must provide a Personal Guarantee (see Appendix B for the Form). Other forms may be used provided they are substantially similar in content and effect as the form. The Guaranty must be executed as an individual at loan closing and dated the same date as the Note or the loan will be ineligible for purchase. Personal guarantees from community property states (guarantor resides in

AZ, CA, ID, LA, NV, NM, TX, WA and WI) must be accompanied with a Spousal Consent to Pledge (see Appendix C for the Form). Other forms may be used provided they are substantially similar in content and effect as the supplied form.

- Each Guarantor must complete and sign a Loan Application as an individual. The section labelled "Title will be held in what Name(s)" should be completed with the entity name. Each Guarantor is subject to the same underwriting requirements as an individual borrower. A loan is limited to a maximum of four Guarantors.
- Each Guarantor must sign the applicable federal and state disclosures as an individual.
- Each Guarantor must have the authority to execute documents on behalf of the entity and sign the following documents as an authorized signer of the entity.
 - Business Purpose and Occupancy Affidavit
 - Note, Deed of Trust/Mortgage and all Riders.
 - Any state and/or federally required settlement statements.
- Final loan documents may not be signed with a Power of Attorney for loans vested in an entity.

- First-Time Homebuyer

A "First-Time Homebuyer" is defined as a borrower who had no ownership interest in a residential property in the United States during the three years preceding closing.

- Limited Power of Attorney (POA)

A Limited Power of Attorney is acceptable when all of 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.

- Non-Occupant Co-Borrowers

Non-Occupying Co-Borrowers are permitted provided that:

- Occupying Borrower must demonstrate sole financial capacity for the mortgage by not exceeding a total Debt-to-income (DTI) ratio of 43%.

- Subject property must be 1-Unit Primary Residence for the Occupying Borrower.
- The Non-Occupying Borrower(s) must:
 - Sign the Note.
 - Meet the minimum credit history and credit score requirements.
 - Not be an interested party to the transaction (i.e., seller, builder, realtor, etc.), and must have family or other similar long-standing relationship with the Borrower.

[See Appendix D \(Program Matrices\) for the eligible borrowers for each rate sheet.](#)

5.2 Ineligible Borrowers

- Borrowers with only an ITIN (individual taxpayer identification number)
- Irrevocable trusts
- Land Trusts
- Borrower who are a party to a lawsuit.
- Borrowers with diplomatic immunity.
- Foreign Nationals
- Guardianship
- Life Estates

5.3 Multiple Financed Properties

Borrowers who own more than 20 financed properties (residential, 1-4 family), including their primary residence, are not permitted.

5.4 Ownership

Ownership must be fee simple. Borrower(s) may hold title as follows:

- Individual
- Joint Tenants
- Limited Liability Companies (LLC), Partnerships and Corporations: see Section 5.1 for the requirements to vest in an entity.
- Inter-Vivos Revocable Trusts

6.0 Occupancy

6.1 Primary Residence

A primary residence is the property the borrower occupies as his or her principal residence. At least one of the borrowers must occupy, be on title to the property and execute the Note and

the security instrument. A borrower may not maintain more than one primary residence at any given time.

6.2 Second Home (Vacation Home)

The property must be occupied by the borrower from time-to-time and is suitable for year-round use. Typically, the property is located in either a resort or vacation area or for convenience in a city where the borrower works when the primary residence is in a distant suburb.

- Property may not be a time share or subject to a rental agreement.
- The property must be a reasonable distance from the borrower's primary residence.
- Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed 30 rental days.
- Rental income from a second home cannot be used to qualify the borrower.

6.3 Investment Property (Non-Owner Occupied)

An investment property is owned but not occupied by the borrower.

For cash-out refinance transactions of an investment property a borrower signed **Business Purpose & Occupancy Affidavit** indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property is required. See [Appendix A](#) for the CW Lending form. Other forms may be used provided they are substantially similar in content and effect as the CW Lending form. Loans delivered without the affidavit will be subject to TILA compliance.

Cash out loan proceeds used for any personal use are not eligible as a Business Purpose loan and will be subject to TILA compliance.

7.0 Eligible Transaction Types

7.1 Purchases

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property. In the case of an assignment of contract, the lower of the purchase price on the original contract or the appraised value must be used. The assignment fee cannot be incorporated into the purchase price.
- If the seller has owned the property less than 90 days measured from the seller's acquisition date to the date of the sales contract for the subject transaction, the following requirements apply.

- Property seller on the purchase contract must be the owner of record.
- LTV/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraised value.

Loans that are bank or relocation sales are exempt from the above requirements.

- Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property for purposes of this section.
- When the Borrower is purchasing a new property as an owner-occupied residence, the following requirements apply:
 - If the current principal residence is being sold, the current mortgage payments (PITIA) can be excluded from the debt-to-income ratio with an executed sales contract and confirmation that any financing contingencies have been cleared.
 - If the current principal residence is being sold but does not meet the requirements above, or the property is being converted to a second home, both the current and proposed mortgage payments (PITIA) must be included in the debt-to-income ratio.
 - If the current principal residence is being converted to an investment property, see Section 9.6 if the loan is qualifying under Full Doc Program and Section 10.6 if the loan is qualifying under Alt Doc Programs.

7.2 Rate and Term Refinance

- At least one borrower on the new loan must be on title of the subject property at the time of application. Exceptions are allowed if the borrower acquired the property through an inheritance or was legally awarded the property.
- The mortgage amount may include the:
 - Principal balance of the existing first lien.
 - Payoff of a purchase second lien.

Payoff of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application.

Withdrawal activity must be documented with a transaction history of the line of credit.

- Payoff of a co-owner pursuant to a written agreement (not allowed on an investment property held for business purposes).
 - Financing of the payment of prepaid items and closing costs.
 - **Maximum cash to the borrower is the greater of 1% of the loan amount or \$2,000.**
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.
 - Principal reduction is permitted up to the lesser of \$2,500 or 2% of the new loan.

7.3 Cash-Out Refinance

- At least one borrower on the new loan must be on title of the subject property for a minimum of six months from the closing date. Exceptions are allowed if the borrower acquired the property through inheritance or was legally awarded the property. Also, if the property was owned by a Limited Liability Company (LLC) that is majority owned by the borrower(s), the time it was held by the LLC may be counted towards the six months requirement.
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.
- Texas 50(a)(6) loans are ineligible.
- **Cash-out includes the payoff of a non-purchase second lien that does not meet the requirements in the Rate and Term Refinance section above.**
- Cash-out may be used for reserves.

7.4 Delayed Financing

Borrowers who purchased the subject property within the past six (6) months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:

- The original purchase transaction was an arms-length transaction.
- The borrower(s) initially purchased the property as one of the following:
 - A natural person, an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust.
 - An eligible land trust when the borrower is the beneficiary of the land trust or an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A

recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.)The preliminary title search or report must confirm that there are no existing liens on the subject property.

- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable.

7.5 Contract for Deed/Land Contract

Contract for Deed/Land Contracts are ineligible.

7.6 Construction Loan Refinancing

Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:

- Only the permanent financing on a construction to permanent loan is eligible. Single closing construction to permanent loan refinances are ineligible.
- Borrower must have held title to the lot for a minimum of six months prior to the closing of the permanent loan.
- The LTV/CLTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.
- If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV/CLTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs)

- or b) the current appraised value of the lot plus the total acquisition costs.
- Appraiser's final inspection is required.
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided.
- Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.

7.7 Non-Arm's Length Transactions

All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is non-arm's length, and the related loan is not eligible for purchase. The following transactions are eligible provided that such transactions and the related circumstances are properly documented:

- Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances.
- Property seller acting as his or her own real estate agent.
- Borrower/relative acting as borrower real estate agent.
- Borrower/relative is an employee of the originating lender.
- Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
- Investment property transactions must be arm's length.

For non-arm's length circumstances not specifically addressed above, please contact Underwriting for assistance as other transactions may be eligible on a case-by-case basis.

7.8 Loan Seasoning

To be eligible for purchase, the period between the closing date and the lock date cannot exceed 90 days.

8.0 Credit Documentation Requirements

Determination of a borrower's creditworthiness, as demonstrated by willingness to repay past and current debt obligations in a timely manner, is a critical aspect of credit analysis.

A credit report is required for every borrower who executes the Note. Each borrower must

have a minimum of two credit scores and the qualifying credit score (**Classic FICO required**) for a borrower is the middle of three or lower of two. For loans with multiple borrowers:

- Use the qualifying credit score of the primary income earner.
- Use the lowest qualifying credit score if the income is equal.

Rapid rescore is permitted for confirmation of the pay down of debt and correcting errors and the updated credit score is permitted for qualifying.

Credit freeze may remain if reported under only one bureau and two credit scores are present for the borrower. A letter of explanation from the borrower is required when there is a credit freeze on one bureau.

8.1 Credit Documents Age

The credit report and credit verifications may not be greater than 120 days old at the time of closing.

8.2 Minimum Credit Requirements

Each borrower must have a minimum of two trade lines reporting for 24 months with activity in the last 12 months or a combined credit profile between multiple borrowers of a minimum of three trade lines reporting for 24 months with activity in the last 12 months. The accounts may be opened or closed. Current housing not reporting on the credit report can be considered an open trade if supported by bank records.

The following accounts cannot be counted as a trade line.

- Non-traditional credit as defined by FNMA.
- Deferred or derogatory accounts
- Authorized user accounts

8.3 Mortgage/Rental History

CW Lending requires a 12-month housing history on the subject property, primary residence and all additional financed properties. The housing history requirements for additional financed properties (properties other than the subject property and primary residence) are limited to properties with mortgages reflected on the credit report. All payment histories must reflect 0X30X12 measured from the credit report date. On the credit report date, the existing mortgage(s) must be current, which means that no more than 45 days may have elapsed since the last paid installment date.

Mortgage/Rental history must be documented as follows:

- A mortgage payment history from an institutional lender as verified through (i) credit bureau report reference for 12 months or (ii) 12 months canceled checks.
- For rental verification a standard VOR completed by a professional management company or 12 months bank statements/canceled checks and a lease agreement to document the term and payment are required.
- If a borrower is refinancing a privately held mortgage the following payment verification requirements apply:
 - The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account).
 - Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.
- If the housing history reflects a forbearance agreement, the payment history must reflect 0X30 in the most recent 12 months since exiting forbearance. The payment history must be provided by the lender/servicer.

Borrowers who have lived in a rent-free situation are ineligible. If a Borrower has lived in a rent-free situation for a time period of **twelve** months or less, and the prior twelve months **housing history** can be documented, this is acceptable (example: Borrower sold residence then lived with family rent-free until a new home was available). Borrowers whose spouse has the mortgage in only their name but can verify payments are coming from a joint account or who have other mortgaged properties with satisfactory most recent 12 month pay histories are excluded from rent free restrictions. Borrowers with a primary home that is owned free and clear are also exempt from this requirement.

See Appendix D (Program Matrices) for the housing history requirements for each rate sheet.

8.4 Bankruptcy, Foreclosure, Notice of Default (NOD), Deed-In-Lieu of Foreclosure, Short Sales and Modifications

- At least four years must have elapsed since bankruptcy discharge, dismissal or completion, foreclosure, notice of default (NOD), short sale, deed-in-lieu or modification measured from the date of completion to the date of application.
- A satisfactory letter of explanation for the event from the borrower is required.
- Borrower must show reestablished credit and meet the minimum credit requirement.
- If there are multiple events, at least seven years must have elapsed since the last event.
- **Borrowers currently enrolled in credit counseling or debt management plans are not permitted.**

See Appendix D (Program Matrices) for the credit event seasoning requirements.

8.5 Collections, Charge-Offs, Judgments and Liens

All delinquent credit that impacts title must be paid off prior to or at closing.

Non-title collections and charge-offs are required to be paid off if greater than \$5,000 (individually or aggregate). Medical collections are not required to be paid. All past due accounts must be brought current prior to closing.

IRS payment plans are permitted if current and they do not carry a lien on the property.

8.6 Delinquent Credit belonging to an Ex-Spouse

Delinquent credit which belongs to an ex-spouse may be excluded from the credit evaluation when all of the following apply:

- File contains a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse.
- Late payments occurred after the date of the divorce or separation.
- If debt in question is a mortgage, evidence of title transfer prior to any delinquent debt must be provided and evidence of "buyout" as part of court proceedings.

8.7 Delinquent Credit belonging to Co-Signer

A Co-signer is considered a borrower on the loan, and therefore delinquent credit that belongs to a co-signer must be considered when evaluating the loan.

8.8 Written Explanations

A written explanation is required for significant derogatory information. The purpose for requiring a written explanation is to assist the originator in determining whether the borrower's credit problems were due to extenuating circumstances (factors clearly beyond the control of the borrower) or whether they reflect financial mismanagement (the borrower's disregard for the payment of obligations when due). In order to accomplish this purpose, it may be necessary to allow someone to assist the borrower in preparing the explanation.

A written explanation in and of itself does not satisfy the originator's responsibility to determine the borrower's willingness to repay. When adverse or derogatory information is considered significant, the originator must relate the reasons for the late payments, as stated by the borrower, to the other information about the borrower's credit history contained in the mortgage file. The originator must reasonably be able to conclude that:

- The explanation is consistent with the adverse information reported and the other

- information in the mortgage file.
- The explanation establishes a credible cause for the late payments.
- The borrower represents an acceptable credit risk and exhibits the ability and willingness to repay the Mortgage.

8.9 Inquiries

If the credit report indicated that a creditor has made inquiries within the previous 90-day period, the underwriter must determine whether additional credit was granted as a result of the borrower's request. A letter from the creditor or letter of explanation from the borrower is required for all inquiries inside this time period.

9.0 Full Documentation Program

Employment and income analysis are key elements of the underwriting process and are used to determine whether the borrower's ability to repay is reasonable. Income sources that are illegal under local, state or federal law are ineligible.

This section outlines income requirements that apply to the full documentation program. Should a specific income scenario not be addressed in this section and is an eligible income source, refer to the FNMA Selling guide to determine the qualifying income.

Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the borrower, the Seller must determine that both the source and the amount of the income are stable and reliable. A two-year history of receipt is required for the income to be considered stable and used for qualifying. When the borrower has less than a two-year history of income, the Seller must provide written analysis to justify the determination that the income used to qualify the borrower is stable and reliable.

Gaps in employment of one month or greater during the most recent two-year period require a letter of explanation from the borrower, and the borrower must be employed with their current employer for a minimum of six months to qualify.

Re-entering the workforce requires a minimum of six months on the job with an explanation of time off. Documentation of a two-year work history prior to absence must be provided.

Income calculation worksheets or a Uniform Underwriting Transmittal Summary (1008) with income calculations must be provided with every loan.

9.1 IRS Form 4506C/8821 and IRS Tax Transcripts

A signed 4506C/8821 and two years of IRS full tax transcripts are required to be obtained for all borrowers. The transcripts must support the employment and income that were used to qualify. Borrower-provided transcripts are not acceptable. A 4506C/8821, signed by all borrowers at closing, must also be included in the loan package.

If IRS Tax Transcripts are unavailable then an IRS Form 4506-C/8821 transcript confirming "No Record Found" must be supplied, and the prior year(s) transcripts must be obtained and analyzed.

9.2 Stable and Predictable Income (Trending)

If the borrower's monthly income is stable, the amount of income should be averaged based on the number of years of documentation required for the program. A significant increase or decrease is generally considered to be anything greater than 25%.

When the borrower has experienced a significant increase in income, the higher income may not be used to qualify the borrower unless there is sufficient documentation to determine that the increase is stable and likely to continue at the level used for qualifying.

When the borrower has experienced a significant decrease in income, the income cannot be averaged using a previous higher level unless there is documentation of a one-time occurrence (such as an injury) and documentation is provided to support that the borrower is back to work and both the employment and income have resumed at the prior levels. In such instances, a letter of explanation from the borrower is required, along with supporting documentation.

9.3 Wage and Salary Documentation

All base income from employment may be considered for qualification, provided proper verification is received and the income can be deemed likely to continue. The hourly, year-to-date and prior-year earnings should be reviewed to ensure consistency with the calculated monthly base income. If hours are inconsistent or unreasonable, additional information may be required. Overtime, commission and bonus income must have a minimum two-year history of receipt and the income should be expected to continue. The borrower's history of earnings must support a stable or increasing trend from year to year. Verification must include:

- Most recent paystub(s) dated no earlier than 30 days prior to the initial loan application and must include all year-to-date earnings. The paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained.
- W-2s for the most recent two years.
- All paystubs and W-2s must be computer-generated.

- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification. IRS tax transcripts must align to the income being used to qualify.
- Verbal Verification of Employment (VVOE) documented in writing or via email is required to be obtained either no more than 10 business days prior to the Note Date, or after the Note Date but prior to purchase by CW Lending. If the employer uses a third-party employment verification vendor, the verification must be obtained within the same time frame as the VVOE requirements and the verification must evidence the information in the vendor's database was no more than 35 days old as of the Note Date.

In lieu of obtaining the most recent paystubs or W-2s, the Seller may obtain a Written Verification of Employment (WVOE) form from the employer. IRS tax transcripts must align to the income being used to qualify.

For borrowers employed by a family member, the Seller or any interested third party (for example, real estate agent, mortgage broker, etc.), provide signed individual tax returns for the most recent two years.

For borrowers who are employed in the field of education (such as a teacher), additional documentation may be required to verify whether income is based on calendar year or school year.

If the borrower does not have two years of employment because of being in school or serving in the military, a copy of the diploma or certificate evidencing that the borrower was serving in the military or attending school is required.

Post-Close Employment

Qualifying income commencing after the note date may be used for qualification purposes if it meets the following requirements:

- Two years' documented employment history or professional schooling history in the same field prior to the start date of the new employment.
- The borrower's employment offer is guaranteed, non-revocable and non-contingent.
- The borrower's written acceptance of employment contract must be in the file.
- WVOE is required to validate the future employment.
- The time frame between the mortgage note and the commencement date of employment (the employment gap) must not exceed 60 calendar days.
- The transaction must be a purchase money transaction secured by a 1-unit primary residence.
- The borrower must have sufficient reserves to meet all guideline requirements.

- A letter of explanation (LOE) from the borrower citing the reason(s) for the job change must be in the file.
- A VVOE no more than 10 business days prior to the Note Date, or after the Note Date but prior to purchase by CW Lending is NOT required for borrower's future employment unless the borrower has started employment.

9.4 Self-Employment Documentation

A borrower is considered self-employed when they have 25% or more ownership interest in a business. Borrowers who are self-employed but are not using self-employment income to qualify, do not have to meet the self-employed income requirements below if the income is positive and not being used or the self-employment income is secondary employment (borrower is a W2 wage earner) and the loss is minimal.

The borrower must have a minimum two-year history of self-employment for the income to be considered and the income must be documented with the following:

- Signed and dated individual tax returns with all applicable schedules for the most recent two years.
- For a corporation, "S" corporation or partnership, signed and dated business tax returns with all applicable schedules for the most recent two years.
- Year-to-date profit and loss (P&L) statement and balance sheet.
- Verification that the business is active and operating either no more than 10 business days prior to the Note Date, or after the Note Date but prior to CW Lending purchase is required with one of the following:
 - CPA/Tax Preparer letter confirming the business is active and operating
 - Evidence of current work (executed contracts or signed invoices)
 - Evidence of current business receipts/recent bank statement activity
 - Business website demonstrating activity supporting current business operations (e.g., recently updated content or announcements, written confirmation from the lender that online scheduling, ordering or the business phone number is working).

CW Lending aligns with the FNMA Selling Guide requirements for the use of self-employment income to qualify the borrower. Qualifying income must be calculated using FNMA's cash flow analysis (Form 1084) or a comparable income analysis form.

9.5 1 Year Full Documentation Program

Follow the Full Documentation Program requirements above with the exception that one year of income documentation is required in lieu of two.

9.6 Additional Sources of Income

For other sources of income, such as alimony, child support, pension/retirement, Social Security, military, long-term disability, rental or trust, follow the FNMA Selling Guide requirements.

9.7 Multiple Sources of Income

When qualifying income combines Full Document and 1 Year Full Document sources, the documentation type (Full Document or 1 Year Full Document) is determined by whichever source contributes the highest percentage of income and eligibility and pricing are based on that documentation type.

See Appendix D (Program Matrices) for the income requirements for each rate sheet.

10.0 Alternative Documentation Programs

The documentation that is required for the Alternative Documentation Programs is used to determine whether the borrower's ability to repay the mortgage debt is reasonable.

Reasonable ability to repay the mortgage debt is based (among other information) on the borrower's employment history, income source and past credit experience which must be commensurate with the loan request. For example, information on the Credit Report must corroborate information on the application. Borrower's income source must be documented and verified by a third party and must also establish a reasonable expectation that it will continue. Inconsistencies must be investigated.

All files must include the completed initial application. All income sources must be itemized on the signed loan application when applicable. Income sources that are illegal under local, state or federal law are ineligible.

10.1 Bank Statement Program

Borrowers who are self-employed may qualify with either 12 or 24 consecutive months of personal or business bank statements in lieu of tax returns to support their income. The program is intended for active, productive businesses. Borrowers with passive income such as rental properties, or borrowers whose business is asset speculation (i.e., fix and flip investors, day traders, etc.) are ineligible for the bank statement program.

Bank accounts must be from a US financial institution and be the most recent available at the time of application but never more than 45 days prior to application. **Bank statements must be in the native format issued by the financial institution. Income calculation worksheets must be provided with every loan and will be subject to third party verification of the calculation.**

A business narrative is required from the borrower to describe the type of business and number of employees. Loans submitted with tax returns or tax transcripts are ineligible. Income from other sources that do not require tax returns are eligible. Refer to [Section 9.0, 10.2 10.3, 10.4, and 10.5](#) for the documentation requirements for income sources other than rental income. Refer to [Section 10.6](#) for the documentation requirements for rental income.

Self-Employment

Borrowers must have been self-employed for at least two years in the same business verified via a CPA/Tax Preparer, regulatory agency, applicable licensing bureau or equivalent. Borrowers who have been self-employed less than two years, but not less than one year prior to application, are eligible with an additional six months of reserves and two years previous experience in the same line of work.

Ownership

The borrower's business ownership percentage must be at least 25%. The ownership percentage must be verified via a CPA/Tax Preparer, Operating Agreement or equivalent.

Business Verification

Verification that the business is active and operating either no more than 10 business days prior to the Note Date, or after the Note Date but prior to CW Lending purchase is required with one of the following:

- CPA/Tax Preparer letter confirming the business is active and operating
- Evidence of current work (executed contracts or signed invoices)
- Evidence of current business receipts/recent bank statement activity/**recent payroll activity**
- Business website demonstrating activity supporting current business operations (e.g., recently updated content or announcements, written confirmation from the lender that online scheduling, ordering or the business phone number is working).

Large Deposits

Any deposit exceeding 50% of the average monthly deposits require a LOE and must be consistent with the business profile. If the LOE is sufficient, no sourcing is required. If the LOE is insufficient and the funds cannot be sourced, the deposit must be excluded from the total eligible deposits.

Declining Deposits

Bank statements should show a stable or increasing trend of deposits. If the trend is declining and/or irregular, additional documentation should be provided to support the stability of the income.

- 12 Months Bank Statements: decline in deposits six months over six months up to 10% allowed. An additional 12 months of statements are required if the decline is >10%.
- 24 Months Bank Statement: decline in deposits year over year >10% are ineligible.

Non-Sufficient Funds (NSF)

A maximum of three NSF instances are allowed with 12 months of statements and six are allowed with 24 months of statements. Multiple NSFs that occur on the same day will count as one instance.

Personal Bank Statements

- Two months of business bank statements must be provided to validate separate personal and business bank accounts and reflect transfers to the personal account. Personal bank statements will be treated as business bank statements with an expense factor if separate business bank statements are not provided.
- Deposits deemed to derive from a source other than the business including but not limited to wage income, fixed income, rental income, tax refunds and transfers between personal accounts must be excluded from the total eligible deposits.
- If the bank statements reflect payments being made on obligations that are not listed on the credit report or 1003, additional information must be obtained to determine if the liability should be included in the borrower's DTI.
- Qualifying Income: Total Eligible Deposits/12 or 24 months

Business Bank Statements

- More than three separate business accounts must use the Personal Bank Statement option.
- Transfers from other business accounts will require evidence the source of the transfer is business related.
- Transfers from personal accounts must be excluded from the total eligible deposits, as well as any deposits that are not consistent with self-employed income (credit card refunds, IRS refunds, etc.).
- Qualifying Income: (Total Eligible Deposits*Ownership Percentage*(1-Expense Factor))/12 or 24 months

Expense Factor Options

The expense factor should be reasonable for the profession and consistent with the revenues and expenses in the bank statements. There are two expense factor options.

- Fixed Expense Ratio: a 50% expense ratio regardless of the business type.
- Third Party (CPA or Licensed Tax Preparer) Expense Statement
 - Expense statement must be prepared by a third party indicating business expenses as a percentage of the gross annual sales/revenue and signed by the third party and borrower.
 - Third party preparing the statement must attest they have prepared the borrower's most recent years tax returns, are not related to the borrower or associated with the borrower's business and have audited the business financial statements or reviewed working papers provided by borrower and based on the review the expense ratio represents an accurate summary of the applicable cash expenses of the business.
 - Third party license must be verified (CPA, EA or CTEC).
 - The minimum expense factor allowed is 10%.

10.2 Third Party Profit and Loss Statement

Borrowers who are self-employed may qualify with a Third Party (CPA or Licensed Tax Preparer) Profit and Loss Statement (P&L) in lieu of tax returns to support their income. The program is intended for active, productive businesses. Borrowers with passive income such rental properties, or borrowers whose business is asset speculation (i.e., fix and flip investors, day traders, etc.) are ineligible.

Loans submitted with tax returns or tax transcripts are ineligible. Income from other sources that do not require tax returns are eligible. Refer to [Section 9.0, 10.1, 10.3, 10.4 and 10.5](#) for the documentation requirements for income sources other than rental income. Refer to [Section 10.6](#) for the documentation requirements for rental income.

Self-Employment

Borrowers must have been self-employed for at least two years in the same business verified via a CPA/Tax Preparer, regulatory agency, applicable licensing bureau or equivalent.

Ownership

The borrower's business ownership percentage must be at least 50%. The ownership percentage must be verified via a CPA/Tax Preparer, Operating Agreement or equivalent.

Business Verification

Verification that the business is active and operating either no more than 10 business days prior to the Note Date, or after the Note Date but prior to CW Lending purchase is required

with one of the following:

- CPA/Tax Preparer letter confirming the business is active and operating
- Evidence of current work (executed contracts or signed invoices)
- Evidence of current business receipts/recent bank statement activity/**recent payroll activity**
- Business website demonstrating activity supporting current business operations (e.g., recently updated content or announcements, written confirmation from the lender that online scheduling, ordering or the business phone number is working).

Documentation Requirements

- 12 month P&L (with 2 months bank statements) dated within 90 days of closing.
 - P&L must be prepared by a third party and signed by the third party and borrower.
 - Third party preparing the P&L must attest they have prepared the borrower's most recent tax returns and are not related to the borrower or associated with the borrower's business. The most recent two months of bank statements reflected on the P&L must be provided. The total qualified deposits on the bank statements must be no more than 10% below the average gross monthly revenue on the P&L. If the most recent two months do not support at least 90% of the average gross revenue monthly revenue, additional consecutive bank statements up to a total of six may be provided until the tolerance is met. If more than two months of bank statements are needed, it is recommended that the seller explain why the additional statements were necessary.
 - Third party license must be verified (CPA, EA or CTEC).

Qualifying Income

$(\text{P\&L Net Income} \times \text{Ownership Percentage}) / 12 \text{ months}$

10.3 1099

- **Not Allowed**

10.4 Written Verification of Employment (WVOE)

- **Not Allowed**

10.5 Asset Qualification

- Not Allowed

10.6 Supplemental Rental Income

- Must document proof of 100% ownership.
- Subject Property Refinance Transaction and Additional Rental Properties:
 - Current active lease or expired lease that converted to month-to-month.
 - Two months cancelled checks, deposit slips or bank records to show proof of rental payments.
 - Evidence that rent is market rate (free online source is permitted)
 - Gross rental income is 75% of the lease agreement.
- Subject Property Purchase Transaction:
 - Gross rental income is the lesser of 75% of the lease agreement (if applicable) and market rent from the appraisal.
- Departing Residence
 - Gross rental income is 75% of the lease agreement
- Short Term/Variable Rental Income (Airbnb, VRBO, HomeAway):
 - Acceptable with 12 months evidence of receipt via Service Provider payment history or bank statement deposits.
 - 75% of verified monthly rental income.
 - Must be permitted in accordance with local ordinance.

10.7 Multiple Sources of Income

- When qualifying income combines Full Document and Alternative Document sources or multiple Alternative Document sources, the documentation type is determined by whichever Alternative Document source contributes the highest percentage of income and eligibility and pricing are based on that documentation type.

See Appendix D (Program Matrices) for the income requirements for each rate sheet.

11.0 Debts and Liabilities

11.1 Debt-to-Income Ratio

The qualifying total Debt-to-Income (DTI) ratio compares the borrower's total monthly debt obligations with their qualified monthly gross income.

The borrower's total monthly obligations include the following:

- Monthly Housing Expense
 - Monthly Principal and Interest Payment
 - 1/12th of the annual hazard insurance premium
 - 1/12th of the annual real estate taxes (greater of the actual or 1/12th of 1.5% of sales price if new construction)
 - 1/12th of the annual flood insurance premium (when applicable)
 - Monthly homeowner association dues, condominium maintenance fees, monthly assessments (when applicable)
 - Monthly payment for other secured financing (when applicable)
 - HELOC monthly payment as reported on credit, if the HELOC is at a 0 balance, a monthly payment does not need to be developed.
- Outstanding Monthly Obligations
 - All installment debt with over ten payments remaining.
 - All revolving debt payments.
 - Alimony, child support or maintenance payments with more than ten payments remaining.
 - Real estate net rental losses from all investment properties owned.
 - Other obligations where a monthly payment is legally required.

11.2 Installment Debt

Installment debt is the monthly obligation on accounts with fixed payments and terms (i.e., car loan, student loans, etc.). These payments must be included in the borrower's DTI ratio calculation. In some cases, the monthly payments may be excluded from the DTI calculation if there are fewer than ten monthly payments remaining to pay the debt in full and the payment is not substantial, such that the amount of the debt does not affect the borrower's ability to repay the mortgage loan during the months immediately after loan closing, especially if the consumer will have limited or no cash assets after closing. Installment debts may be paid down to ten payments in order to eliminate them from the DTI calculation.

11.3 Lease Obligations

Lease obligations, regardless of time remaining on the lease, are included in the DTI.

11.4 Student Loans

Debt payments, such as student loan or a balloon-payment note, scheduled to begin or come due within 12 months of the mortgage loan closing, must be included as a monthly debt obligation when calculating the DTI ratio. Debt payments do not have to be classified as projected obligations if the borrower provides written evidence that the debt will be deferred to a period outside the 12-month time frame. Proof of the deferment is required.

If no payment for a student loan obligation is shown on the credit report or can be otherwise verified, then use 1% of the outstanding balance as the borrower's recurring monthly debt obligation. Student loans listed as delinquent must be brought current. If a student loan is charged off, the total will be included in the cumulative charge off balance if open less than two years. If a student loan is placed for collection, get a copy of the repayment agreement, a copy of a canceled check and include the payment in the DTI.

11.5 Revolving Debt

Revolving debt is open ended debt of which the principal balance on an account may vary from month to month (i.e., department store credit cards). Monthly payments on revolving debt, regardless of the balance, are counted as a liability for qualifying purposes, even if the account appears likely to be paid off within ten months or less.

Use the minimum required payment as stated on the credit report or current statement as a liability when calculating the DTI. If no minimum required payment can be confirmed, then use the greater of 5% of the outstanding balance or \$10 as a liability when calculating the DTI. If the actual monthly payment is documented from the creditor or the originator obtains a copy of the current statement reflecting the monthly payment, that amount may be used for qualifying purposes.

In order for Revolving Debt to be excluded from the DTI ratio, documentation must be provided that the account was paid in full.

11.6 Business Debt

Business debts for which the borrower is personally liable may be excluded if a minimum of 12 months of consecutive canceled checks from the business are provided and there are no delinquencies. This does not apply to mortgage debts. Mortgage debts may only be excluded if the business is on the Note.

11.7 Contingent and Co-Signed Liabilities

A contingent liability exists when an individual co-signs or is otherwise held responsible for

payment of a debt if another party, jointly or severally obligated, defaults on the payment. Contingent liability applies and must be considered in the underwriting analysis if the borrower is a co-signer or co-obligor on any of the following:

- A car loan
- A student loan
- A mortgage
- Any other obligations

Debts where the borrower is a co-signer, or where a contingent liability exists, may be excluded from the borrower's monthly obligations only when:

- There is no history of delinquency on the subject obligation.
- Documentation has been provided verifying that the primary obligor made regular payments for, at least, the previous 12 months. This may be, but is not limited to, 12 months of cancelled checks from the primary obligor.

If these requirements cannot be satisfied, then the liability must be indicated on the application and considered as a monthly debt payment for mortgage eligibility purposes.

11.8 Asset Secured Loans

Repayment for loans against a financial asset (retirement/savings plan, insurance policy) may be excluded from the total debt ratio provided the borrower can repay the debt by liquidating the asset. Value of the asset must be reduced by the amount of the debt when calculating total assets/reserves.

11.9 Open Thirty (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, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves. If the borrower paid off the account balance prior to closing, the lender may provide proof of payoff in lieu of verifying funds to cover the account balance.

11.10 Alimony/Child Support/Maintenance

Monthly alimony, child support and separate maintenance fees, payments and obligations must be considered for qualifying purposes unless these obligations will be satisfied within ten months or less. Since there are tax consequences of alimony payments, the monthly alimony obligation may be treated as a reduction from the borrower's gross income when calculating the DTI ratio, rather than treating it as a monthly debt obligation.

12.0 Assets and Source of Funds

- The borrower must have sufficient assets to meet the requirements for closing (down payment and closing costs) and reserves.
- Reserves are calculated based on the PITIA (fully amortizing loans) or ITIA (interest only loans) of the subject property. Cash-out may be used for reserves. For concurrent loans, the same assets may not be used to satisfy the reserve requirement for more than one loan.
- Assets may be verified with one monthly or quarterly statement including all pages, or a Verification of Deposit (such as FNMA Form 1006) executed by the financial institution or a FNMA approved third-party vendor. Unless otherwise noted, the verification of assets may not be greater than 120 days old at the time of closing.
- Proof of liquidation of market based, non-depository assets such as stocks, bonds, mutual funds, vested stock options, vested retirement accounts and these types of assets held in a trust is required if the total value of non-depository assets is less than 120% of the funds needed for closing from those accounts.
- Any deposit exceeding 50% of the average monthly deposits (bank statement program) or 50% of the total monthly qualifying income (non-bank statement programs) require a LOE. If the LOE is sufficient, no sourcing is required. If the LOE is insufficient and the funds cannot be sourced, the deposit must be subtracted from the asset amount.
- Unless otherwise noted, acceptable sources of verified funds for closing and reserves include:
 - Depository Accounts
 - Stocks, bonds, and mutual funds.
 - Can be used at 100% of value for reserves.
 - Vested stock options can be used for closing but not reserves. The value should be documented with a statement listing the number of options and option prices and determining the gain that would be realized from the exercise of an option and sale of the stock at the current stock price.
 - Proceeds from a Home Equity Line of Credit (HELOC)
 - An undrawn HELOC is not an acceptable source to meet the reserve requirement.
 - Life Insurance surrender value if used for closing must be liquidated. If used for reserves no liquidation is required.

- Sale of real property **with supporting documentation**
- Sale of personal property with supporting documentation.
- **Assets held in a Trust are acceptable provided the borrower has immediate access to the funds. To document trust account funds, obtain written documentation of the value of the trust account from either the trust manager or the trustee and document the conditions under which the borrower has access to the funds**
- Disaster relief grants. Borrowers **can** use lump sum grant for down payment. No minimum contribution is required. Grant **cannot** be used for closing costs or reserve requirements. Document that payment received is an actual grant and not a loan. Subordinate lien against the property is ineligible.
- Vested Retirement Accounts **(IRA, 401K, etc.)**
 - **Can** be used at 70% value for reserves. **(100% value if the borrower is 59.5 years old).**
- Business funds can be used for **closing** and reserves for self-employed borrowers if the borrower(s) own at least 50% of the business. The ownership percentage must be verified via CPA/Tax Preparer, Operating Agreement or equivalent and all non-borrowing owners must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to the funds. The balance of the business assets must be multiplied by the ownership percentage to determine the borrower's portion of business assets allowed for the transaction.
- **1031 Exchange funds can be used for closing but not reserves with a 1031 Exchange Agreement, final settlement statement verifying net proceeds from the relinquished property and a letter from the Qualifying Intermediary verifying current funds available to the borrower**
 - **Reverse 1031 Exchange no allowed.**
- **Cryptocurrency can be used for closing if liquidated.**
 - **Can be used for reserves without liquidation with the following restrictions: (1) Only Bitcoin (BTC) and Ethereum (ETH) held on the Coinbase Exchange are allowed and (2) 60% of the Coinbase valuation dated within 30 days of closing may be used for reserves.**

12.1 Gift Funds

Gift funds can be used for **closing but not reserves**. The following parameters apply:

- Signed gift letter is provided, indicating:

- Donor's relationship to borrower (donor must be related (blood, marriage, adoption or legal guardianship) or share a familial relationship (domestic partner, relative of domestic partner, engaged, former relative or godparent) to the borrower)
 - Donor's address, and phone number
 - Dollar amount of gift
 - Certification it is an outright gift with no repayment required.
- Evidence of the donor's ability to provide funds, with 30 days' sourcing and seasoning.
 - Evidence of transfer of funds such as a cancelled check or evidence of wire transfer from donor to borrower. Documentation must also include a bank statement or other evidence from the depository institution that receives the funds.
 - Borrower minimum contribution is 5% of purchase price from their own source of seasoned funds for LTV/CLTV >80% on primary residences and second homes.
 - Borrower minimum contribution is 10% of purchase price from their own source of seasoned funds on investment properties.

Gifts of equity may be given provided all of the following are met:

- Primary Residence Only
- Signed gift letter is provided.
- Gift of equity is listed on the HUD-1 or Closing Disclosure.

Gift funds not permitted:

- From any donor other than a relative or family member of the borrower.
- From any donor that is a party to the transaction, (other than a gift of equity from the seller).
- From any donor that is a real estate builder, developer or in the business of owning, financing, or selling real estate.

13.0 Property

13.1 Eligible Property Types

- 1 unit (Attached, Detached, PUD, Townhouse and Modular) owner -occupied properties.
- 2 unit (Attached, Detached, PUD, Townhouse and Modular) owner-occupied properties.
- 1 unit second homes
- 1-4 unit investment properties

- Low/mid/high-rise new and established agency warrantable condominiums. Minimum square footage 400. **Provided one of the following:**
 - Condo Project Manager (CPM) with "Approved by Fannie Mae" status effective through the closing date, insurance documentation and lender certification that the project meets the current insurance requirements.
 - CPM with "Certified by Lender" status effective through the closing date, Condo Questionnaire and supporting documentation.
 - CPM that does not reflect "Unavailable", insurance documentation and lender certification that the project meets the current insurance requirements for projects that qualify for the Project Review Waiver
- Properties with age-related deed restrictions are acceptable provided:
 - Senior Communities comply with applicable laws.
 - Appraiser notates that the age-related deed restriction was considered in the valuation of the property.
- Maximum lot size 20 acres.
 - Properties with greater than 10 acres must have two comparable sales with similar acreage.
- Rural Properties

A property designated by the United States Department of Agriculture as rural, indicated by the appraisal as rural, or containing any of the following characteristics, is usually considered a rural property:

- Neighborhood is less than 25% built-up.
- Area around the subject is zoned agricultural.
- The photographs of the subject show a dirt road.
- Comparable sales are more than five miles away from the subject property.
- Subject is located in a community with a population of less than 25,000.
- Distance to schools and/or amenities are greater than 25 miles.
- Subject property and or comparable sales have lot sizes greater than ten acres.
- Subject property and or comparable sales have outbuilding or large storage sheds.

Rural properties must comply with the following criteria:

- The primary use must be residential.
- The property must not be agricultural, or otherwise providing a source of income to the borrower or for the subject loan.
- The lot size and acreage must be typical for the area and similar to the

- surrounding properties.
- The maximum acreage allowed is 20 acres.
- The present use must be the "highest and best use" for the subject property.
- The condition, quality and use of outbuildings may be considered in determining the market value of the subject property when the appraiser clearly supports the adjustments with similar comparable information.
- Subject property cannot be subject to any idle acreage tax benefit or other tax incentive program.

See Appendix D (Program Matrices) for the eligibility property types for each rate sheet.

13.2 Ineligible Property Types

- Manufactured or Mobile Homes
- **Non-Warrantable Condominiums**
- Geodesic/Dome Homes
- Earth/Berm Homes
- Condotels or Condo Hotels
- Log Homes
- Timeshares
- Unique Properties
- Commercial/Commercially Zoned Properties
- Mixed Use Properties
- Properties Greater than 20 Acres
- Farms/Working Farms
- Properties located in Puerto Rico, Guam and US Virgin Islands
- Properties located in Lava Zones
- Escrow Holdback not allowed. Any inadequacies determined by the appraisal must be remediated prior to closing.
- Properties held as leasehold
- **Properties with zoning violations**

13.3 Declining Markets

Reduce maximum LTV/CLTV by 10% for any property located in an area of declining property values as reported by appraiser.

13.4 Appraisal Requirements

- All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Seller's Guide and conform to Agency appraisal practices and eligibility requirements.
- Appraised value must be "as-is" and not subject to future improvements. Property must be in average or better condition.

- The appraisal must be completed within 120 days of closing. After 120 days an appraisal update can be utilized in lieu of a new appraisal but, in all cases, the original appraisal cannot exceed 180 days.
- When an appraisal report will be more than 120 days old on the date of the note, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. A new appraisal report is required for any appraisal > 180 days old. This inspection and results of the analysis must be reported with interior and exterior photos.
 - If the appraiser indicates that the property value has declined, then the Originator must obtain a new appraisal for the property.
 - If the appraiser indicates that the property value has not declined, then the Originator may proceed with the loan in process without requiring any additional fieldwork.
- One full appraisal is required on all loans. Two full appraisals are required for loan amounts > \$2,000,000 and loans subject to the two appraisal requirement in 12 C.F.R. § 1026.35 of Regulation Z. The lower of the two appraised values will be used to determine the LTV/CLTV/HCLTV, unless the sales price is lower than both appraisals (in which case the sales price will be used to determine loan to value). Appraisals must be completed by two different, independent appraisers.
- Appraisals transferred or assigned from another lender are acceptable unless ordered by the borrower. **All other appraisal requirements apply.**

13.5 Third Party Appraisal Review

- The seller must order a Collateral Desktop Analysis (CDA) from Clear Capital or an Appraisal Risk Review (AAR) from Stewart Valuation Intelligence for each loan with no collateral underwriter score (CU) or a score greater than 2.5 that does not include two appraisals. A copy of the appraisal desk review report should be submitted in the loan file.
- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; however, the seller has the option to order a Field Review **or second appraisal** to support value. If the field review **or second appraisal** also produces a value in excess of a 10% negative variance to the appraised value, then the **field review or second appraisal value is used to determine the LTV/CLTV.**

13.6 Properties Located in a Disaster Area

The following is required for properties located in a FEMA declared disaster zone to be eligible

for purchase:

- If the property is in a zone where a Disaster End Date has been declared by FEMA, a post disaster inspection is required prior to loan purchase to confirm the property value has not been impacted by the disaster.
- If the property is in a zone where a Disaster End Date has not been declared by FEMA, in addition to the above inspection requirement, a date and time stamped area map from a state or county agency or similar, showing the subject property in relation to the disaster area is required to evidence that the property is outside of current known disaster boundaries.

For scenarios not addressed in this section please contact Underwriting for assistance.

14.0 Additional Loan Attributes and Policies

14.1 Secondary/Subordinate Financing

- Allowed up to maximum CLTV per matrix. Secondary financing terms must conform to Agency guidelines.
- The CLTV should be calculated using the unpaid principal balance on all closed-end subordinate financing and the full amount of any HELOCs (whether or not funds have been drawn).

14.2 Chain of Title

All transactions require a minimum 12-month chain of title.

14.3 Balloon Mortgage

Balloon mortgages are not eligible for purchase.

14.4 Temporary Rate Buydowns

Temporary Rate Buydowns are not eligible for purchase.

14.5 Prepayment Penalty

Allowed on investment properties held for business purposes. The following structures may be used:

- **Fixed Percentage:** the PPP charge will be equal to the percentage in effect at the time of the prepayment on the amount of the prepayment that exceeds 20% of the original principal balance. The PPP is applicable regardless of the reason for the prepayment of principal including prepayments resulting from the sale or refinance

of the subject property or curtailments that exceed 20% of the original balance in any 12 month period. The following fixed or declining structures may be used.

- 5 Year Term: **5%/5%/5%/5%/5%**
- 4 Year Term: **5%/5%/5%/5%**
- 3 Year Term: **5%/5%/5%**
- 2 Year Term: **5%/5%**
- 1 Year Term: **5%**

Prepayment penalties are not required but there may be price adjustments for loans without a PPP, including loans where CW Lending does not allow a PPP and loans with a PPP that does not meet the structures above.

CW Lending accepts prepayment penalties with restrictions in the following states.

- MI: restricted to a maximum term of **1 year** with a maximum penalty of 1% of the balance at the time of prepayment.
- NJ: Not Allowed
- OH: not allowed on loan amounts $\leq \$116,356$ or applicable state limit. Restricted to a maximum term of **1 year** with a maximum penalty of 1% of the original principal amount.

These requirements do not constitute legal advice and the Seller is responsible for compliance with all applicable federal and state laws, regulations and restrictions.

See Appendix D (Program Matrices) for additional prepayment penalty restrictions for each rate sheet.

14.6 Financing Concessions (Seller Paid Closing Costs)

Financing concessions are considered to be funds originating from an interested party to pay closing costs on a purchase transaction.

Allowable financing concessions include any of the following:

- Permanently reduce the interest rate on the mortgage.
- Make contributions related to the mortgage financing charges which traditionally

would be paid by the borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows.

- Pay the cost of other items traditionally paid by the borrower such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-recurring closing costs and title insurance.
- HOA Dues are not allowed to be included in an interested party contribution.
- Maximum third party concessions (as a percentage of the purchase price) are equal to:
 - Primary & Second Homes:
 - 9% for LTV/CLTV $\leq 75\%$
 - 6% for LTV/CLTV $> 75\%$
 - Investment Properties:
 - 6%

Concessions exceeding the maximum will be deducted from the sales price to determine the LTV/CLTV.

The dollar amount of financing concessions in excess of the allowable percentage as indicated above is deducted from the purchase price prior to determining the adjusted LTV/CLTV/HCLTV.

14.7 Hazard Insurance

- Coverage sufficiency is determined based on the policy's loss settlement terms. The property insurance policy must provide coverage on a replacement cost basis except for the roof. The roof must be insured but does not have to be insured on a replacement cost basis. Policies that provide coverage on actual cash value basis for personal property and structures that are not buildings are acceptable.
- Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.

14.8 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as an Area of Special Flood Hazard. This is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. The amount of flood insurance must be at least equal to the lesser of the loan amount or the maximum coverage available under the appropriate National Flood Insurance Administration program.

14.9 Escrows

Unless required by applicable state law, escrow waivers are permitted.

Flood insurance premiums are required to be escrowed on mortgages made, increased, extended or renewed after Jan. 1, 2016, for customers in special flood hazard areas, as designated on Federal Emergency Management Agency maps. Loans secured by properties that are covered by a blanket condo, HOA or similar group policy are not subject to escrow provided the policy meets the requirements under the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) and Homeowner Flood Insurance Affordability Act of 2014 (HFIAA).

15.0 Title and Closing Documentation

15.1 Forms

- CW Lending plan codes are available in Doc Magic/IDS. In addition, FNMA documents can be utilized for closing. If FNMA does not offer current documentation (i.e., interest only products), a document vendor such as Doc Magic/IDS should be utilized.
- Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument.

15.2 Title

Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the lender must ensure that those amendments provide the same coverage.

- The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, and ARM loan types.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form).
- The title insurance policy must ensure the mortgagee and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan.
- A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the

related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured.

- Any existing tax or mechanic's liens must be paid in full through escrow.

Appendix A - Business Purpose & Occupancy Affidavit (the “Affidavit”)

LOAN NO: _____ (the “Loan”)

BORROWER(S) NAME: _____

BORROWER(S) ADDRESS: _____

PROPERTY ADDRESS: _____ (the “Property”)

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. **I have applied for this Loan and am seeking financing for the Property, subject to the terms and conditions of certain documentation related to the Loan (the “Loan Documents”), for business purposes only. The loan proceeds are intended to be used and shall be used for commercial purposes only, not for personal, family or household purposes.**
2. **If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.**
3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys’ fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an event of default under the terms of this Loan and the related Loan Documents and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**
6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non- owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions 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. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.
7. **I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.**

[Signature Page Follows]

Borrower(s) / Borrowing Entity Members:

[_____]

By: _____

Name: _____

Title: _____

Date: _____

[_____]

By: _____

Name: _____

Title: _____

Date: _____

ACKNOWLEDGMENT

State of _____)

County of _____)

On _____ before me, _____ (insert name and title of the officer) personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Appendix B - Form of Personal Guarantee

GUARANTY

This **GUARANTY** (the “Guaranty”) is made and dated as of _____, by _____
 _____([each, a] “Guarantor”)¹ for the benefit of _____[Lender/Originator Name]
 (“Lender”).

RECITALS

WHEREAS, Lender has agreed to make a secured loan (the “Loan”) available to Borrower for the acquisition of an investment or business purpose property.

WHEREAS, in connection with the Loan, Borrower has executed and delivered to Lender a Note in favor of Lender (as the same may be hereafter amended, restated, renewed, extended, supplemented or otherwise modified pursuant to the terms thereof, the “Note”) in the principal amount of the Loan, payment of which is secured by a mortgage (the “Mortgage”) and certain other loan documents (the “Loan Documents”).

WHEREAS, [each] Guarantor is a [member/stockholder/partner]² of Borrower.

WHEREAS, the execution and delivery of this Guaranty by [each] Guarantor is a condition precedent to the making of the Loan by Lender.

NOW, THEREFORE, intending to be legally bound, [each] Guarantor, in consideration of the matters described in the foregoing Recitals, which Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants and agrees for the benefit of Lender and its respective successors, transferees, and assigns as follows:

1. Each Guarantor, for itself, and its respective successors and assigns, jointly and severally, irrevocably, absolutely and unconditionally hereby guarantees the payment of all debts, liabilities, obligations, or undertakings owed by Borrower to Lender and its successors, transferees, and assigns, arising under or relating to the Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, voluntary or involuntary, whether now existing or hereafter arising, including (a) the full and prompt payment of the principal of and interest on the Note when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter; and (b) the full and prompt payment of all sums which may now be or may hereafter become due and owing under the Note, the Mortgage or the Loan Documents (collectively and severally, the “Obligations”), whether or not such Obligations are from time to time reduced, or extinguished and thereafter increased or incurred and whether or not such Obligations may be or hereafter become otherwise unenforceable. This is a guaranty of performance and payment and not of collection and shall be enforceable directly against Guarantor without resorting to any action against

1 Note to Draft: The Guarantor(s) shall be: (a) for Limited Liability Companies, the members, (b) for partnerships, the partners and (c) for Corporations, the stockholders. Each member/partner/stockholder must provide such guarantee.

2 Note to Draft: To be updated to reflect the number and names of each Guarantor, as well as the type of owner each Guarantor is (dependent upon Borrower entity type).

Borrower. This Guaranty shall continue in full force and effect until all of the Obligations have been fully and irrevocably paid and discharged pursuant to the terms of the Note and Loan Documents.

2. This is an absolute, present and continuing guaranty of payment and not of collection. Guarantor agrees that this Guaranty may be enforced by Lender without the necessity at any time of resorting to or exhausting any other security or collateral given in connection herewith or with the Note, Mortgage or any other Loan Documents through foreclosure or sale proceedings, as the case may be, under any Mortgage or otherwise, or resorting to any other guaranties, and Guarantor hereby waives any right to require Lender to join any Borrower in any action brought hereunder or to commence any action against or obtain any judgment against any Borrower or to pursue any other remedy or enforce any other right. Guarantor further agrees that nothing contained herein or otherwise shall prevent Lender from pursuing concurrently or successively all rights and remedies available to it at law and/or in equity or under the Note, Loan Agreement, any Mortgage or any other Loan Documents, and the exercise of any of its rights or the completion of any of its remedies shall not constitute a discharge of Guarantor's obligations hereunder, it being the purpose and intent of Guarantor that the obligations of Guarantor hereunder shall be absolute, independent and unconditional under any and all circumstances whatsoever. None of Guarantor's obligations under this Guaranty or any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Borrower under the Note, any Mortgage or other Loan Documents or by reason of the bankruptcy of the Borrower or by reason of any creditor or bankruptcy proceeding instituted by or against the Borrower. This Guaranty shall continue to be effective or be reinstated (as the case may be) if at any time payment of all or any part of any sum payable pursuant to the Note, any Mortgage or any other Loan Document is rescinded or otherwise required to be returned by Lender upon the insolvency, bankruptcy, dissolution, liquidation, or reorganization of the Borrower, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of or trustee or similar officer for, the Borrower or any substantial part of its property, or otherwise, all as though such payment to Lender had not been made, regardless of whether Lender contested the order requiring the return of such payment. In the event of the foreclosure of any Mortgage and of a deficiency, Guarantor hereby promises and agrees forthwith to pay the amount of such deficiency notwithstanding the fact that recovery of said deficiency against Borrower would not be allowed by applicable law; however, the foregoing shall not be deemed to require that Lender institute foreclosure proceedings or otherwise resort to or exhaust any other collateral or security prior to or concurrently with enforcing this Guaranty.

3. Lender may, without notice to or the further consent of Borrower or Guarantor, transfer or assign this Guaranty in whole or in part to any person acquiring an interest in the Obligations. In the event Lender or any holder of the Note shall assign the Note to any lender or other entity for an amount not in excess of the amount which will be due, from time to time, from Borrower to Lender under the Note with interest not in excess of the rate of interest which is payable by Borrower to Lender under the Note, Guarantor will accord full recognition thereto and agree that all rights and remedies of Lender or such holder hereunder shall be enforceable against Guarantor by such lender or other entity with the same force and effect and to the same extent as would have been enforceable by Lender or such holder but for such assignment. This Guaranty and the liability and obligations of Guarantor hereunder are binding upon Guarantor and its successors and assigns, and this Guaranty inures to the benefit of and is enforceable by Lender and its successors, transferees, and assigns. This Guaranty may not be assigned by the Guarantor without the express written consent of Lender.

4. Guarantor does hereby (a) waive notice of acceptance of this Guaranty by Lender and any and all notices and demands of every kind which may be required to be given by any statute, rule or law, (b) agree to refrain from asserting, until after repayment in full of the Loan, any defense, right of set-off or other claim which Guarantor may have against Borrower (c) waive any defense, right of set-off or other claim which Guarantor or the Borrower may have against Lender, or the holder of the Note, (d) waive any and all rights Guarantor may have under any anti-deficiency statute or other similar protections, (e) waive presentment for payment, demand for payment, notice of nonpayment or dishonor, protest and notice of protest, diligence in

collection and any and all formalities which otherwise might be legally required to charge Guarantor with liability, and (f) waive any failure by Lender to inform Guarantor of any facts Lender may now or hereafter know about the Borrower, the Loan, or the transactions contemplated by the Loan Documents, it being understood and agreed that Lender has no duty so to inform and that Guarantor is fully responsible for being and remaining informed by Borrower of all circumstances bearing on the risk of nonperformance of Borrower's obligations. Credit may be granted or continued from time to time by Lender to Borrower without notice to or authorization from Guarantor, regardless of the financial or other condition of such Borrower at the time of any such grant or continuation. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of such Borrower. Guarantor acknowledges that no representations of any kind whatsoever have been made by Lender. No modification or waiver of any of the provisions of this Guaranty shall be binding upon Lender except as expressly set forth in a writing duly signed and delivered by Lender.

Guarantor further agrees that Guarantor's liability as guarantor shall not be impaired or affected by any renewals or extensions which may be made from time to time, with or without the knowledge or consent of Guarantor of the time for payment of interest or principal under the Note or by any forbearance or delay in collecting interest or principal under the Note, or by any waiver by Lender under any Mortgage or any other Loan Documents, or by Lender's failure or election not to pursue any other remedies it may have against Borrower or Guarantor, or by any change or modification in the Note, any Mortgage or any other Loan Document, or by the acceptance by Lender of any additional security or any increase, substitution or change therein, or by the release by Lender of any security or any withdrawal thereof or decrease therein, or by the application of payments received from any source to the payment of any obligation other than the Obligations even though Lender might lawfully have elected to apply such payments to any part or all of the Obligations, it being the intent hereof that, subject to Lender's compliance with the terms of this Guaranty, Guarantor shall remain liable for the payment of the Obligations, until the Obligations have been paid in full, notwithstanding any act or thing which might otherwise operate as a legal or equitable discharge of a surety. Guarantor further understands and agrees that Lender may at any time enter into agreements with Borrower to amend and modify the Note, any Mortgage or other Loan Documents, and may waive or release any provision or provisions of the Note, Mortgages and other Loan Documents or any thereof, and, with reference to such instruments, may make and enter into any such agreement or agreements as Lender and Borrower may deem proper and desirable, without in any manner impairing or affecting this Guaranty or any of Lender's rights hereunder or Guarantor's obligations hereunder.

5. This Guaranty shall be deemed to be made under and shall be governed by the laws of the State of New York, without reference to conflicts of laws principles. The terms and provisions hereof may not be waived, altered, modified or amended except in writing duly signed by Lender and by Guarantor.

6. Guarantor further agrees that its liability hereunder shall be primary, and that in any right of action which shall accrue to the Lender under the Loan Documents, the Lender may, at its option, proceed against any Guarantor and the Borrower, jointly or severally, without first having commenced any action or obtained any judgment against Borrower.

7. Notwithstanding any payment or payments made by the Guarantor hereunder or any set-off or application of funds of the Guarantor by the Lender, the Guarantor shall not be entitled to be subrogated to any of the rights of the Lender against the Borrower or any other guarantor or any collateral security or guarantee or right of offset held by the Lender for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other guarantor in respect of payments made by the Guarantor hereunder, until all amounts owing to the Lender by the Borrower on account of the Obligations are paid in full. The Guarantor hereby subordinates all of its subrogation rights

against Borrower to the full payment of Obligations due Lender. Any indebtedness of Borrower to Guarantor now or hereafter existing is hereby subordinated to the payment of the Obligations. Guarantor agrees that, until the Obligations have been paid in full, Guarantor will not seek, accept, or retain for its own account, any payment from Borrower on account of such subordinated debt. Any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Obligations without impairing or releasing the obligations of Guarantor hereunder.

Any amounts received by Lender from any source on account of the Loan may be utilized by Lender for the payment of the Obligations and any other obligations of Borrower to Lender in such order as Lender may from time to time elect. Additionally, if the indebtedness guaranteed hereby is less than the full indebtedness evidenced by the Note, all rents, proceeds and avails of the underlying property, including proceeds of realization of Lender's collateral, shall be deemed applied on the indebtedness of Borrower to Lender that is not guaranteed by Guarantor until such unguaranteed indebtedness of Borrower to Lender has been fully repaid before being applied upon the indebtedness guaranteed by Guarantor.

8. Guarantor's obligations hereunder are independent of the obligations of Borrower, and a separate action or actions may be brought and prosecuted against Guarantor whether or not action is brought against Borrower or any such assignee or whether or not Borrower or any such assignee be joined in any such action or actions.

9. Guarantor shall not be released by any act or event (other than performance) which might, but for this provision of this Guaranty, be deemed a legal or equitable discharge of a surety, or by reason of any waiver, extension, modification, forbearance or delay or costs or by Lender's failure to proceed promptly or otherwise as against Borrower or Guarantor, or by reason of any action taken or omitted or circumstance which may or might vary the risk or affect the rights or remedies of Guarantor as against Borrower, or by reason of any further dealings between Borrower and Lender, whether relating to the Loan Agreement or otherwise, and Guarantor hereby expressly waives and surrenders any defense to its liability hereunder based upon any of the foregoing acts, omissions, things, agreements, waivers or any of them; it being the purpose and intent of this Guaranty that the obligations of Guarantor hereunder are absolute and unconditional under any and all circumstances.

10. Guarantor waives (a) any right to require Lender to (i) proceed against Borrower or any other person or entity; (ii) proceed against or exhaust any security held from Borrower or Guarantor; (iii) pursue any other remedy in Lender's power which Guarantor cannot itself pursue, and which would lighten its burden; (b) any defense based upon any legal disability of Borrower, or any assignee of the Loan Documents, or any discharge or limitation of the liability of Borrower, or any assignee of the Loan Documents, to Lender, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency, or debtor-relief proceeding, or from any other cause; and (c) presentment, demand, protest and notice of any kind. Guarantor waives all demands upon and notices to Borrower, or any assignee of the Loan Documents, and to Guarantor, including demands for performance, notices of non-performance, notices of nonpayment and notice of acceptance of this Guaranty.

11. In the event that any action, suit, or other proceeding is instituted concerning or arising out of this Guaranty, the prevailing party shall recover all of such party's costs and attorneys' fees incurred in each and every such action, suit, or other proceeding, including any and all appeals or petitions therefrom, from the non-prevailing party. As used herein, "attorneys' fees" shall mean the full and actual costs of any legal services actually rendered in connection with the matters involved, calculated on the basis of the usual fee charged by the attorneys performing such services.

12. GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHT UNDER THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS GUARANTY AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

13. The parties hereto intend and believe that each provision in this Guaranty comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or if any portion of any provision or provisions, in this Guaranty is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of this Guaranty to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Guaranty shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Lender or the holder of the Note under the remainder of this Guaranty shall continue in full force and effect.

14. Guarantor will take such further actions as may be reasonably requested by Lender from time to time to effect the purposes of this Guaranty, including without limitation the execution and delivery of all reasonably necessary documents.

15. This Guaranty may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument, and in making proof of this Guaranty it shall not be necessary to produce or account for more than one such counterpart.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Guaranty as of the date first above written.

_____]³

By: _____
 Name: _____
 Title: _____

³ Note: Form to be updated with additional signature blocks if there are multiple Guarantors.

Appendix C - Consent of Spouse

I, ("Spouse"), spouse of ("Guarantor"), acknowledge that I have read, or have had the opportunity to read, that certain Guaranty dated as of (the "Guaranty"), executed by Guarantor in favor of ("Lender") in connection with the obligations of ("Borrower") under that certain promissory note, and the other documents evidencing or securing the indebtedness described therein (collectively, the "Loan Documents"), including, without limitation, the mortgage, deed of trust, security agreement, pledge agreement, or other collateral document affecting the following described property and/or collateral: (the "Collateral").

Spouse acknowledges and consents to Guarantor's execution, delivery, and performance of the Guaranty and the Loan Documents. To the extent Spouse now has, or hereafter may have, any right, title, claim, or interest in or to the Collateral, whether arising by reason of community property, marital property, homestead, dower, curtesy, inchoate, elective share, or similar rights under applicable law, Spouse hereby expressly joins in, approves, and consents to the pledge, assignment, grant, security interest, lien, mortgage, deed of trust, encumbrance, and enforcement against such interest in the Collateral to the extent necessary to create, perfect, preserve, and enforce Lender's rights in and to the Collateral and the obligations secured thereby, in each case to the fullest extent permitted by applicable law.

To the extent permitted by applicable law, Spouse further acknowledges and agrees that this Consent of Spouse is intended to evidence and effect the consent and joinder of Spouse necessary for the Guaranty and the Loan Documents to bind any marital community, community property estate, or other marital property interest of Spouse and Guarantor in the Collateral, and to make such interest available to Lender as security for the obligations guaranteed by Guarantor.

Spouse understands and agrees that this Consent of Spouse is being executed solely for the purpose of evidencing Spouse's consent to the encumbrance of, and enforcement against, any such interest in the Collateral as may be required under applicable law, and not for the purpose of making Spouse personally liable for payment or performance of the indebtedness or other obligations evidenced by the Loan Documents. Spouse shall not be deemed a borrower, guarantor, surety, or other obligor under the Loan Documents by reason of execution of this Consent of Spouse, unless Spouse separately executes a Loan Document expressly in such capacity.

Spouse further acknowledges that the legal effect of this Consent of Spouse and the Loan Documents may be significant, that Spouse has had the opportunity to seek the advice of independent legal counsel of Spouse's choosing, and that Spouse is executing this Consent of Spouse knowingly and voluntarily.

If any provision of this Consent of Spouse is determined to be invalid or unenforceable under applicable law, this Consent of Spouse shall nevertheless be effective to the maximum extent necessary and permitted under applicable law to evidence Spouse's consent and joinder and to make Spouse's interest, if any, in the Collateral available as security for the obligations described in the Loan Documents.

IN WITNESS WHEREOF, Spouse has executed this Consent of Spouse as of the ____ day of _____, 20__.

Signature of Spouse: _____
Printed Name of Spouse: _____
Spouse Address: _____

State of _____

County of _____

On this ____ day of _____, 20__, before me, the undersigned officer, personally appeared, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing instrument, and acknowledged that such person executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public
My Commission Expires:

[Add state-specific acknowledgment, witness, homestead, community property, or recording language where required by applicable law, including any jurisdiction-specific joinder language necessary to bind the marital community or community property estate.]

Appendix D - Non-QM 15 Program Matrices

NON-QM 15 PROGRAM MATRIX							
Purchase/Rate & Term Refinance				Cash-Out Refinance			
Occupancy	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Occupancy	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score
Owner Occupied	\$2,000,000	80%	700	Owner Occupied	\$2,000,000	75%	700
	\$2,000,000	75%	680		\$2,000,000	70%	680
	\$2,500,000	80%	740		\$2,500,000	65%	700
	\$2,500,000	75%	700				
	\$3,000,000	75%	740				
	\$3,000,000	70%	700				
Second Home	\$2,000,000	80%	700	Second Home	\$2,000,000	75%	700
	\$2,000,000	75%	680		\$2,000,000	70%	680
	\$2,500,000	75%	700		\$2,500,000	65%	700
	\$3,000,000	70%	700				
Investment	\$1,500,000	80%	700	Investment	\$2,000,000	75%	700
	\$2,000,000	80%	720		\$2,000,000	70%	680
	\$2,000,000	75%	680		\$2,500,000	65%	700
	\$2,500,000	75%	700				
	\$3,000,000	70%	700				
Minimum Loan Amount		<ul style="list-style-type: none"> \$125,000 					
Products		<ul style="list-style-type: none"> 30 Year Fixed Fully Amortizing 30 (10/20) and 40 (10/30) Year Fixed Interest Only 5/6 and 7/6 30 Year Fully Amortizing 5/6 and 7/6 30 (10/20) Year Interest Only 					
Interest Only		<ul style="list-style-type: none"> Maximum LTV/CLTV 80% Minimum Credit Score 700 					
Non-Permanent Resident Aliens		<ul style="list-style-type: none"> Maximum LTV/CLTV 75% 					
First-Time Homebuyer		<ul style="list-style-type: none"> Interest Only Not Allowed Maximum DTI 43% 					
Housing History		<ul style="list-style-type: none"> 0 x 30 x 12 					
Credit Event Seasoning		<ul style="list-style-type: none"> ≥ 4 years 					
Maximum Cash-Out		<ul style="list-style-type: none"> LTV/CLTV ≤70%: No Limit LTV/CLTV >70%: \$500,000 					
Documentation Types		<ul style="list-style-type: none"> 12 and 24 Month Full Document 12 and 24 Month Personal and Business Bank Statements 1 and 2 Year 1099: Not Allowed 12 Month P&L with Bank Statements: Minimum Credit Score 720 <ul style="list-style-type: none"> Maximum LTV/CLTV 80% for credit score ≥760; Maximum LTV/CLTV 75% for credit score ≥740 and <760; Maximum LTV/CLTV 70% for credit score ≥720 and <740 WVOE: Not Allowed Asset Qualification: Not Allowed 					
Maximum DTI		<ul style="list-style-type: none"> ≤43%: Minimum Credit Score 680 >43% and ≤50%: Minimum Credit Score 700 					
Reserves		<ul style="list-style-type: none"> 6 Months 					
2-4 Unit Properties		<ul style="list-style-type: none"> Maximum LTV/CLTV 80% for credit score ≥720 Maximum LTV/CLTV 75% for credit score <720 					
Warrantable Condominiums		<ul style="list-style-type: none"> Maximum LTV/CLTV 80% for credit score ≥720 (all states except FL) Maximum LTV/CLTV 75% for credit score <720 (all states except FL) Maximum LTV/CLTV 50% (FL) 					
Non-Warrantable Condominiums		<ul style="list-style-type: none"> Not Allowed 					
Condotel		<ul style="list-style-type: none"> Not Allowed 					
Cooperatives		<ul style="list-style-type: none"> Not Allowed 					
Rural Properties		<ul style="list-style-type: none"> Owner Occupied Only Maximum LTV/CLTV 70% Purchase/Rate & Term Refinance Only 					
Leasehold Properties		<ul style="list-style-type: none"> Not Allowed 					

NON-QM PROGRAM GUIDE

<p>Additional Prepayment Penalty Restrictions</p>	<ul style="list-style-type: none"> • MI: restricted to a maximum term of 1 year • NJ: Not Allowed • OH: Restricted to a maximum term of 1 year
<p>State Restrictions</p>	<ul style="list-style-type: none"> • DE: investment properties located in New Castle county are not allowed • MD: investment properties located in Baltimore City and Cecil county are not allowed • NJ: investment properties located in the following counties are not allowed: <ul style="list-style-type: none"> ◦ Burlington, Camden, Gloucester and Salem • PA: investment properties located in the following counties are not allowed: <ul style="list-style-type: none"> ◦ Bucks, Chester, Delaware, Montgomery and Philadelphia