

UPDATES TO COMMUNITY NON-QM GUIDELINES

Effective Date: September 22, 2025

Summary: CW Lend will amend the following guidelines as detailed below. These changes are applicable to all loans currently in production.

SECTION	REVISION	PREVIOUS GUIDELINE	UPDATED GUIDELINE
3.6 TEXAS HOME EQUITY LOANS	Revised language through Texas Home Equity guidelines for consistent naming convention of the Notice Concerning Extensions of Credit form.	An owner-in-title (whether a spouse or individual) must sign the application and Texas Home Equity Notice (English or Spanish) at the time of application, along with all appropriate documentation.	An owner-in-title (whether a spouse or individual) must sign the application and <u>Notice Concerning Extensions of Credit</u> (English or Spanish) at the time of application, along with all appropriate documentation.
4.5.1 NON-PERMANENT RESIDENT ALIENS: VERIFICATION OF RESIDENCY STATUS	Updated visa classification list to clarify H-1C visa is acceptable. Change applies to all subsequent sections pertaining to H-1C visas.	The following visa classifications are allowed as Non-Permanent Resident Aliens: <ul style="list-style-type: none"> H-1B & C, H-2 through H-4 	The following visa classifications are allowed as Non-Permanent Resident Aliens: <ul style="list-style-type: none"> H-1B <u>and H-1C</u>, H-2 through H-4
4.13.1.2 BUSINESS ENTITY VESTING	Revised requirements for verification of Entity Employer Identification Number. Change applies to all subsequent sections pertaining to Employer Identification Number.	The following Entity documentation must be provided: <ul style="list-style-type: none"> Entity Articles of Organization, Partnership, and Operating Agreements (if applicable) Employer Identification Number (EIN) Verification Form Certificate of Good Standing Certificate of Authorization for the person executing all documents on behalf of the Entity 	The following Entity documentation must be provided: <ul style="list-style-type: none"> Entity Articles of Organization, Partnership, and Operating Agreements (if applicable) <u>EIN-Employer Identification Number (or W-9 with acceptable 3rd-party verification)</u> Certificate of Good Standing Certificate of Authorization for the person executing all documents on behalf of the Entity

<p>8.7.23.4 RENTAL INCOME FROM DEPARTING RESIDENCE</p>	<p>Expanded guidelines for use of rental income from a departure residence. Property may not be rented to a relative, and evidence of the security deposit and/or first month of rent is required.</p>	<p>Rental income from a departure residence can be used to qualify. If the borrower has less than 2 years property management experience, the following documentation is required:</p> <ul style="list-style-type: none"> • Departing residence LTV is 75% or less: <ul style="list-style-type: none"> ○ Copy of lease ○ 1007 or Online rent estimate (Zillow Rent Zestimate or equivalent) ○ 25% vacancy factor to be used on lower of lease or market rent ○ 4 months PITIA departing residence reserves • Departing residence LTV is 75.01% to 90%: <ul style="list-style-type: none"> ○ Copy of lease ○ 1007 or Online rent estimate (Zillow Rent Zestimate or equivalent) ○ 25% vacancy factor to be used on lower of lease or market rent ○ 6 months PITI reserves departing residence <p>If the borrower has 2 or more years property management experience, the following documentation is required:</p> <ul style="list-style-type: none"> • Copy of lease • 1007 or Online rent estimate (Zillow Rent Zestimate or equivalent) • 25% vacancy factor to be used on lower of lease or market rent • Reserves not required on departing home 	<p>Rental income from a departure residence can be used to qualify. <u>The property may not be rented to a relative.</u> If the borrower has less than 2 years management experience, the following documentation is req'd:</p> <ul style="list-style-type: none"> • Departing residence LTV is 75% or less: <ul style="list-style-type: none"> ○ Copy of lease ○ <u>Evidence of security deposit and/or first month of rent</u> ○ 1007 or online rent estimate (Zillow Rent Zestimate or equivalent) ○ 25% vacancy factor to be used on lower of lease or market rent ○ 4 months PITIA departing residence reserves • Departing residence LTV is 75.01% to 90%: <ul style="list-style-type: none"> ○ Copy of lease ○ <u>Copy of security deposit and/or first month of rent</u> ○ 1007 or online rent estimate (Zillow Rent Zestimate or equivalent) ○ 25% vacancy factor to be used on lower of lease or market rent ○ 6 months PITI reserves departing residence <p>If the borrower has 2 or more years management experience, the following documentation is req'd:</p> <ul style="list-style-type: none"> • Copy of lease • <u>Evidence of security deposit and/or first month of rent</u> • 1007 or online rent estimate (Zillow Rent Zestimate or equivalent) • 25% vacancy factor to be used on lower of lease or market rent • Reserves not required on departing home
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9.1 RATIOS	Expanded guidelines to allow DTI up to 55% when certain parameters are met.	The maximum DTI allowed for the Expanded Prime and Non-Prime programs is 50%. See applicable matrix for other DTI restrictions.	The maximum DTI allowed is 50%. See applicable matrix for other DTI restrictions. <u>DTI > 50% to ≤ 55% is allowed</u> when all of the following parameters are met: <ul style="list-style-type: none"> • Expanded Prime program only • Primary residence only • Minimum 700 FICO • Max 80% LTV/CLTV • First-time homebuyers not allowed
14.3.5 DSCR: BORROWING ENTITIES	Expanded guidelines to confirm that members of the LLC may not be a trust. Also clarified requirements for Operating Agreement. Change applies to all subsequent sections pertaining to Operating Agreements.	The business purpose and activities of the Borrowing Entity are limited to ownership and management of real estate, and ownership is limited to a maximum of 4 owners (aka members, partners, or shareholders). The following documentation is required for each Borrowing Entity: <ul style="list-style-type: none"> • Articles Of Organization/Certificate of Formation • Secretary of State Search • Operating Agreement (or letter from CPA, accountant, or attorney confirming members) • Certificate of Good Standing • EIN-Employer Identification Number (or W-9 with acceptable third-party verification) • Evidence of signing authority for Guarantor(s) signing on behalf of the entity 	The business purpose and activities of the Borrowing Entity are limited to ownership and management of real estate, and ownership is limited to a maximum of 4 owners (aka members, partners, or shareholders). <u>In addition, members of the LLC may also not be a trust.</u> The following documentation is required for each Borrowing Entity: <ul style="list-style-type: none"> • Articles Of Organization/Certificate of Formation • Secretary of State Search • <u>Operating Agreement/Bylaws (or equivalent document based on state requirements including an authorization to encumber real property and signing authority)</u> • Certificate of Good Standing • EIN-Employer Identification Number (or W-9 with acceptable third-party verification) • Evidence of signing authority for Guarantor(s) signing on behalf of the entity
14.6 DSCR: RATIOS AND QUALIFYING	Removed requirement for FNMA Form 1007 or Form 1025 for all DSCR transactions. Form required for only specific transactions.	A Debt-Service Coverage Ratio (DSCR) must be calculated for the subject property. Market rent must be documented with FNMA Form 1007 or Form 1025, as applicable. See the Deephaven DSCR Matrix for the minimum DSCR.	A Debt-Service Coverage Ratio (DSCR) must be calculated for the subject property. Market rent must be documented with FNMA Form 1007 or Form 1025, as applicable. See the Deephaven DSCR Matrix for the minimum DSCR.

<p>14.6.2 DSCR: SHORT-TERM RENTAL INCOME</p>	<p>Revised guidelines for using short-term rental income for qualification. A Property Guard Short-Term Rental Compliance Report is required on all short-term rental transactions.</p> <p>Added sections 14.6.2.1 PURCHASE TRANSACTIONS USING SHORT-TERM RENTAL INCOME and 14.6.2.2 REFINANCE TRANSACTIONS USING SHORT-TERM RENTAL INCOME.</p>	<p>Short-term rental income received directly from a home-sharing service (such as Airbnb or VRBO) or property management services may be used for qualification, subject to the following restrictions:</p> <ul style="list-style-type: none"> • Refinance transactions only. • Documented 12-month history of receipt of short-term rental income. • Minimum DSCR of 1.00. <p>One of the following options must be provided:</p> <ul style="list-style-type: none"> • 12 months evidence of receipt via the home-sharing service or property management company. <ul style="list-style-type: none"> ○ Receipt must identify the subject property/unit and all rents collected for the previous 12 mos. ○ Rental income used is net of any management or vendor fees. ○ Property ownership report obtained and proof of property listing on provider website. • Bank statement deposits clearly evidencing short-term rental deposits. <ul style="list-style-type: none"> ○ Bank statement deposits must be supported by rental records for subject property/unit to support the monthly rental activity for the previous 12 months. ○ Property ownership report obtained and proof of property listing on provider website. <p>Appraisal Form 1007, Form 1025, or a short-term rental narrative prepared by the appraiser reflecting short-term market rent is also required. Short-term rental market data must include multiple sources</p>	<p>Short-term term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. Short-term rental income received directly from a home-sharing service (such as Airbnb or VRBO) or property management service may be used for qualification.</p> <p>A Property Guard Short-Term Rental Compliance Report is required on all short-term rental transactions.</p> <ul style="list-style-type: none"> • The report must confirm that the borrower has all permits necessary to operate the property as a short-term rental. <ul style="list-style-type: none"> ○ If a permit is required, a copy of the permit must be obtained on refinance transactions to ensure compliance with local regulations. • The report must confirm that the city, county, and state jurisdictions allow short-term rentals. • If the property may not be operated legally as a short-term rental, short-term rental income is not allowed.
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<p>14.6.2.1 DSCR: PURCHASE TRANSACTIONS USING SHORT-TERM RENTAL INCOME</p>	<p>Revised guidelines for using short-term rental income for qualification. A Property Guard Short-Term Rental Compliance Report and an AirDNA Property Earning Potential Report are both required on purchase transactions. Restrictions included for use of short-term rental income on purchase transactions.</p>	<p>New guideline section</p>	<p>Short-term rental income is allowed on purchase transactions. A FNMA Form 1007 or Form 1025 is not required or utilized for rental income.</p> <p>In addition to the Property Guard Report, an AirDNA Property Earning Potential Report is required to determine monthly rental income utilizing the following information:</p> <ul style="list-style-type: none"> • Occupancy Rate: minimum 60% • Annual Projected Revenue: amount used to calculate short-term rental income <p>The following restrictions apply to purchase transactions utilizing short-term rental income:</p> <ul style="list-style-type: none"> • DSCR \geq 1.15. • 5% LTV reduction required (max 75% LTV). • Minimum 720 FICO. • First-Time Investors are not allowed. • Borrower must document short-term rental management experience in last 12 months. • 2-4 unit properties and rural properties are not allowed. <p>The DSCR calculation for purchase transactions is as follows: Debt-Service Coverage Ratio = AirDNA Projected (Annual Revenue x 80%) / 12 Proposed PITIA</p>

<p>14.6.2.2 DSCR: REFINANCE TRANSACTIONS USING SHORT-TERM RENTAL INCOME</p>	<p>Revised guidelines for using short-term rental income for qualification. A Property Guard Short-Term Rental Compliance Report and an AirDNA Property Earning Potential Report are both required on purchase transactions. Restrictions included for use of short-term rental income on purchase transactions.</p>	<p>New guideline section</p>	<p>Short-term rental income is allowed on refinance transactions. In addition to the Property Guard Report, the following documentation must be provided:</p> <ul style="list-style-type: none"> • 12 months evidence of receipt of short-term rental income via the home-sharing service, property management company, or bank statement deposits clearly evidencing short-term rental deposits. <ul style="list-style-type: none"> ○ Receipt must identify the subject property/unit and all rents collected for the previous 12 months. Rental income used is net of any management/vendor fees. ○ Bank statement deposits must be supported by rental records for subject property/unit to support the monthly rental activity for the previous 12 months. ○ Property ownership report obtained and proof of property listing on provider website. • Appraisal Form 1007, Form 1025, or a short-term rental narrative prepared by the appraiser reflecting short-term market rent <ul style="list-style-type: none"> ○ Short-term rental market data may include multiple sources such as Airbnb, VRBO, AirDNA, etc. (AirDNA is acceptable when accompanied by additional sources listed above). <p>The lower of the documented 12 months receipt or market rent will be used to calculate short-term rental income. The DSCR calculation for refinance transactions is as follows: Debt-Service Coverage Ratio = (Average Monthly Gross Income * 80%) / Proposed PITIA</p>
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15.2.33.1 COMMUNITY EQUITY EDGE: DETERMINING LOAN-TO-VALUE	Reduced seasoning requirements for purchase transactions under the Community Equity Edge Program.	The Community Equity Edge Program requires 6 months ownership seasoning. The appraised value may be used to determine loan-to-value as established by the required appraisal product in 15.9.2 Appraisal Report Requirements. Purchase settlement date to note date is used to calculate the 6 months.	<p>No ownership seasoning is required for a primary residence. If < 6 months seasoning, a 10% CLTV reduction will apply.</p> <p>6 months ownership seasoning is required for second homes and investment properties. A minimum of 6 months must have elapsed since the most recent mortgage transaction for second homes and investment properties (either the original purchase transaction or subsequent refinance).</p> <p>The appraised value may be used to determine loan-to-value as established by the required appraisal product in 15.9.2 Appraisal Report Requirements. Purchase note date to note date is used to calculate the 6 months.</p>
15.8 COMMUNITY EQUITY EDGE: ASSET ANALYSIS	Modified asset guidelines for the Community Equity Edge Program. No cash to close or reserves are required. Removed sections 15.8.1 RESERVES and 15.8.2 VERIFICATION OF ASSETS.	Verification of assets is required for all transactions to evidence sufficient funds to close and reserves. required. See 10 Asset Analysis for any asset requirements not specifically addressed in this section.	No cash to close and/or reserves are required for the Community Equity Edge program.
15.9.1 COMMUNITY EQUITY EDGE: ELIGIBLE PROPERTY TYPES	Expanded Community Equity Edge property guidelines to include Barndominiums, Shouses as ineligible property types.	<p>INELIGIBLE PROPERTY TYPES:</p> <ul style="list-style-type: none"> Unique Properties (Earth Homes, Berm Homes, Dome Homes, etc.) 	<p>INELIGIBLE PROPERTY TYPES:</p> <ul style="list-style-type: none"> Unique Properties (Earth Homes, Berm Homes Dome Homes, Barndominiums, Shouses, etc.)
15.9.5 COMMUNITY EQUITY EDGE: SOLAR PANELS	Revised guidelines for solar panels under the Community Equity Edge Program. FNMA guidelines to be followed. Properties with solar panel liens are ineligible.	The presence of solar panels which will include a UCC filing associated with the property and/or which create an easement on title will make the subject property ineligible for financing.	The presence of solar panels or solar panel agreements are allowed with adherence to FNMA guidelines. Properties where solar panels carry a lien against the subject are not eligible for financing.

<p>15.10.2 COMMUNITY EQUITY EDGE: FLOOD INSURANCE</p>	<p>Updated Community Equity Edge flood insurance guidelines to clarify minimum coverage amounts required.</p>	<p>Sufficient flood insurance must be obtained if property is determined to be in a flood zone. Documentation of adequate flood insurance coverage is required. When determining the acceptable coverage amount, the unpaid principal balance of all existing liens against the subject property should be used. See also 12.3 Flood Insurance.</p>	<p>Sufficient flood insurance must be obtained if property is determined to be in a flood zone. Documentation of adequate flood insurance coverage is required. See also 12.3 Flood Insurance.</p> <p>When determining the acceptable coverage amount, the unpaid principal balance of all existing liens against the subject property should be used. Sufficient flood insurance coverage is defined as the lessor of:</p> <ul style="list-style-type: none"> • The combined total of both the first lien and second lien unpaid principle balances; or • The maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling.
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