

**GARNET - DSCR**

**Purchase Non-Owner Occupied**

Units	Min Loan > *	Max Loan	Full Amortizing Max LTV	Interest Only Max LTV	FICO	RESERVES (months)	Min DSCR
1 – 4 Unit	\$100,000	\$1,000,000	80%	75%	720	3	1.00
	\$100,000	\$1,000,000	75%	70%	700	3	1.00
	\$100,000	\$1,000,000	75%	NA	680	3	1.00
	\$100,000	\$1,000,000	70%	NA	660	3	1.00
	\$1,000,001	\$1,500,000	75%	70%	700	6	1.00
	\$1,000,001	\$1,500,000	70%	NA	680	6	1.00
	\$1,000,001	\$1,500,000	65%	NA	660	6	1.00
	\$1,500,001	\$2,000,000	70%	65%	700	6	1.00
	\$1,500,001	\$2,000,000	65%	NA	680	6	1.00
\$1,500,001	\$2,000,000	60%	NA	660	6	1.00	

**Rate / Term Refinance Non-Owner Occupied**

Units	Min Loan > *	Max Loan	Full Amortizing Max LTV	Interest Only Max LTV	FICO	RESERVES (months)	Min DSCR
1 – 4 Unit	\$100,000	\$1,000,000	80%	75%	720	3	1.00
	\$100,000	\$1,000,000	75%	70%	700	3	1.00
	\$100,000	\$1,000,000	75%	NA	680	3	1.00
	\$100,000	\$1,000,000	70%	NA	660	3	1.00
	\$1,000,001	\$1,500,000	75%	70%	700	6	1.00
	\$1,000,001	\$1,500,000	70%	NA	680	6	1.00
	\$1,000,001	\$1,500,000	65%	NA	660	6	1.00
	\$1,500,001	\$2,000,000	70%	65%	700	6	1.00
	\$1,500,001	\$2,000,000	65%	NA	680	6	1.00
\$1,500,001	\$2,000,000	60%	NA	660	6	1.00	

**Cash Out Refinance Non-Owner Occupied**

Units	Min Loan > *	Max Loan	Full Amortizing Max LTV	Interest Only Max LTV	FICO	RESERVES (months)	Min DSCR	Max Cash Out <sup>1</sup>
1 – 4 Unit	\$100,000	\$1,000,000	75%	70%	720	3	1.10	\$500,000
	\$100,000	\$1,000,000	70%	65%	700	3	1.00	\$500,000
	\$100,000	\$1,000,000	65%	NA	660	3	1.00	\$500,000
	\$1,000,001	\$1,500,000	70%	65%	700	6	1.00	\$500,000
	\$1,000,001	\$1,500,000	60%	NA	660	6	1.00	\$500,000
	\$1,500,001	\$2,000,000	70%	65%	720	6	1.10	\$500,000
	\$1,500,001	\$2,000,000	60%	55%	700	6	1.00	\$500,000

1. Maximum Cash Out –
  - a. LTV <= to 60%: No Maximum
  - b. LTV > 60%: \$500,000

**Declining Markets**

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

**Prepayment Penalty**

<b>Prepayment Penalty -</b>	<p>Acceptable Structure :</p> <ul style="list-style-type: none"> <li>Six Months Interest: the prepayment charge will be equal to six months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The prepayment penalty 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.</li> </ul>
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**General Requirements**

<b>Product Type and qualification</b>	<ul style="list-style-type: none"> <li>30 Year Fixed Rate, Interest only available:             <ul style="list-style-type: none"> <li>Terms: 30-year amortization. <b>Qualified using the fully amortizing payment.</b></li> <li>Interest-Only Option: available with a 30-year term including a 10-year initial interest-only period followed by a 20-year fully amortizing period. <b>Qualified using the interest only payment.</b> <ul style="list-style-type: none"> <li>Minimum FICO Score: 700</li> <li>Maximum LTV: 75%</li> </ul> </li> </ul> </li> </ul>
<b>Loan Amounts</b>	<ul style="list-style-type: none"> <li>Min: 100,000</li> <li>Max: 2,000,000</li> </ul>
<b>Loan Purpose</b>	Purchase, Rate/Term, and Cash Out
<b>Occupancy</b>	<p>Investment – Only.</p> <p>The following forms are required on all GARNET DSCR loans.</p> <ul style="list-style-type: none"> <li><a href="#">Business Purpose &amp; Occupancy Affidavit</a></li> </ul>
<b>Ownership</b>	<p>Ownership must be fee simple. Borrower(s) may hold title as follows:</p> <ul style="list-style-type: none"> <li>Individual</li> <li>Joint Tenants</li> <li>Inter-Vivos Revocable Trusts</li> <li>Limited Liability Companies (LLC), Partnerships and Corporations</li> </ul> <p>U.S. based Limited Liability Companies (LLC), Partnerships and Corporations.</p> <ul style="list-style-type: none"> <li>Any business structure is limited to a maximum of four members.</li> <li>Purpose and activities of the business are limited to ownership and management of real estate.</li> <li>Copies of the entities Articles of Organization, Operating Agreements and Certificate of Good Standing must be provided.</li> </ul>

	<ul style="list-style-type: none"> <li>The following documents must be completed and signed as an individual by each member of the entity.             <ul style="list-style-type: none"> <li>Loan Application: section labelled “Title will be held in what Name(s)” should be completed with the entity name. Each member is subject to the same underwriting requirements as an individual borrower.</li> <li><a href="#">Personal Guarantee</a>: must be executed at loan closing and dated the same date as the Note Date. Personal guarantees from community property states must be accompanied with a Spousal Consent to Pledge.</li> </ul> </li> <li>The following documents must be signed as an authorized signer of the entity by each member.             <ul style="list-style-type: none"> <li>Applicable federal and state disclosures</li> <li>Business Purpose and Occupancy Affidavit</li> <li>Note, Deed of Trust/Mortgage and all Riders.</li> <li>Any state and/or federally required settlement statements.</li> </ul> </li> </ul>
<p><b>Borrower Eligibility</b></p>	<p>This program is designed for experienced real estate investors that have a minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months. A letter of explanation is required to detail relevant real estate experience.</p> <p>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.</p>
<p><b>Ineligible Borrowers</b></p>	<ul style="list-style-type: none"> <li>Borrowers with only an ITIN (individual taxpayer identification number).</li> <li>First Time Home Buyers</li> <li>Irrevocable trusts.</li> <li>Land Trusts</li> <li>Foreign Nationals</li> <li>Borrowers who are a party to a lawsuit.</li> <li>Borrowers with Diplomatic Immunity.</li> <li>Guardianship</li> <li>Life Estates</li> </ul>
<p><b>Eligible Property Types</b></p>	<ul style="list-style-type: none"> <li>1-4 unit attached and detached.</li> <li>Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums.             <ul style="list-style-type: none"> <li>Warrantable condominium types S and T.</li> <li>New condominiums (type R). New condominiums may not be subject to additional phasing or annexation.</li> </ul> </li> <li>Limited review is not eligible. All attached condominiums require full lender review</li> </ul>

	<p>with or without Condo Project Manager (CPM). The conventional Condo and PUD warranty form must be used to warrant the condo project.</p> <ul style="list-style-type: none"> <li>• The project must be reviewed within the 3 months preceding the date of the note.</li> <li>• All supporting documentation used by the lender to determine eligibility and warranty type criteria must be submitted in the file; including the project acceptance certification generated by CPM and unexpired PERS approval, as applicable.</li> <li>• Planned Unit Development (PUD).</li> </ul>
<p><b>Ineligible Properties</b></p>	<ul style="list-style-type: none"> <li>• Manufactured or mobile homes</li> <li>• Co-ops</li> <li>• Factory built housing</li> <li>• Condo hotel units (Condotels)</li> <li>• Log homes</li> <li>• Non-Warrantable Condominiums</li> <li>• Timeshare units</li> <li>• Unique properties</li> <li>• Properties that do not conform to zoning ordinances.</li> <li>• Mixed use properties</li> <li>• Working farms</li> <li>• Hobby farms</li> <li>• Commercial properties</li> <li>• Rural zoned properties</li> <li>• Agriculturally zoned properties (agricultural/residential eligible)</li> <li>• Any property located in lava zones 1 or 2 on the island of Hawaii.</li> <li>• Properties with more than 10 acres</li> <li>• Properties held as leasehold.</li> <li>• Properties, other than condominiums, with less than seven-hundred fifty (750) square feet</li> <li>• Condominiums with less than four hundred (400) square feet</li> <li>• Properties located in Puerto Rico, Guam, America Samoa, Northern Mariana Islands and US Virgin Islands.</li> <li>• Lot Loans</li> <li>• Properties with deed/resale restrictions</li> </ul>
<p><b>Financed Properties</b></p>	<p>Multiple Financed Properties</p> <ul style="list-style-type: none"> <li>• Borrowers may not own more than twenty (20) residential 1-4 unit financed properties including the borrower’s primary residence and subject property.</li> <li>• Financed properties that are commercial properties or unimproved land can be excluded from the calculation of number of properties financed.</li> </ul>

<p><b>Non-Arm's Length Transactions</b></p>	<p>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. The following transactions are eligible provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> <li>• Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances.</li> <li>• Property seller acting as his or her own real estate agent.</li> <li>• Borrower/relative acting as borrower real estate agent.</li> <li>• Borrower/relative is an employee of the originating lender.</li> </ul>
<p><b>Purchases</b></p>	<ul style="list-style-type: none"> <li>• Proceeds from the transaction are used to finance the acquisition of the subject property.</li> <li>• LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.</li> <li>• If Seller has taken title to the subject property ninety days or less prior to the date of sales contract the following requirements apply.             <ul style="list-style-type: none"> <li>• Property seller on the purchase contract is the owner of record.</li> <li>• LTV/CLTV will be based on the lesser of the prior sales price, current purchase price or the current appraisal value.</li> </ul> </li> </ul> <p>Loans that are bank owned or relocation sales are exempt from the above requirements.</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Rate and Term Refinance</b></p>	<ul style="list-style-type: none"> <li>• The mortgage amount may include the:             <ul style="list-style-type: none"> <li>▪ Principal balance of the existing first lien.</li> <li>▪ Payoff of a purchase second lien.</li> <li>▪ 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.</li> <li>▪ Payoff of a co-owner pursuant to a written agreement.</li> <li>▪ Financing of the payment of prepaid items and closing costs.</li> </ul> </li> <li>• Minimum of six (6) months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the payoff of a non-seasoned subordinate lien.</li> </ul>

	<ul style="list-style-type: none"> <li>• For properties purchased within six (6) months of closing date the LTV/CLTV will be based upon the lesser of the original sales price (Closing Disclosure/Settlement Statement from subject property acquisition required) plus improvements (proof of improvements required) or the current appraised value conclusion from the appraiser. Inherited properties are exempt from this seasoning requirement and LTV/CLTV will be calculated off current appraised value.</li> <li>• For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV/CLTV.</li> <li>• Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.</li> <li>• Cash back to the borrower is limited to the lesser of \$2,000 or 1% of the new loan.</li> <li>• Principal reduction is permitted up to the lesser of \$2,500 or 2% of the new loan.</li> </ul>
<p><b>Cash-Out</b></p>	<ul style="list-style-type: none"> <li>• Borrower must have held title for a minimum of 6 months from disbursement date.</li> <li>• For properties purchased within 12 months of closing date the LTV/CLTV will be based upon the lesser of the original sales price (Closing Disclosure/Settlement Statement from subject property acquisition required) plus improvements (proof of improvements required) or the current appraised value conclusion from the appraiser.</li> <li>• Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) 6 months prior to the date of closing.</li> <li>• <b><u>Texas 50(a)(6) loans are ineligible.</u></b></li> <li>• Cash out is limited to the maximum amounts stated on the Product Matrix. 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.</li> <li>• Cash-out may be used for reserves.</li> <li>• Cash out loan proceeds used for any personal use are <b><u>not eligible.</u></b></li> </ul>
<p><b>Delayed Financing</b></p>	<ul style="list-style-type: none"> <li>• Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. 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 were used to pay off or pay down the loan used to purchase the property. Funds received as gifts and used to purchase the property may not be reimbursed with the proceeds of the new loan. Delayed financing refinances are not subject to cash-out refinancing program limitations.</li> </ul>

	<ul style="list-style-type: none"> <li>The original purchase transaction must be documented by a Closing Disclosure/Settlement Statement confirming that no mortgage financing was used to obtain the subject property.</li> </ul>
<p><b>Continuity of Obligation</b></p>	<p>For a refinance transaction to be eligible, there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction.</p> <p>Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"> <li>At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.</li> <li>The borrower has been on title for at least six (6) months and has paid the mortgage for the last six (6) months.</li> <li>The borrower has recently been legally awarded the property (divorce, separation or dissolution of a domestic partnership).</li> </ul> <p>Properties that are owned free and clear meet the continuity of obligation requirements. Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either cash-out or rate and term refinance transactions based on the requirements for each type of transaction.</p>

<p><b>Appraisals</b></p>	<p><b><u>Appraisals:</u></b></p> <ul style="list-style-type: none"> <li>Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required.</li> <li>Appraisals <b><u>transferred or assigned</u></b> from another lender are not acceptable.</li> </ul> <p><b><u>Third Party Appraisal Review</u></b></p> <ul style="list-style-type: none"> <li>Sage to order a Collateral Desktop Analysis (CDA) from Clear Capital for each loan with no collateral underwriter (CU) score or a score greater than 2.5.</li> <li>If the desk review produces a value in excess of a 10% negative variance to the appraised value, a Field Review may be ordered. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will be ineligible.</li> </ul>
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**Income Requirements**

**Note:** The employment section of the loan application should ***not*** be completed.

**Gross Income**

- Gross Income is the lower of the actual monthly rent on the lease agreement and the monthly market rent (Form 1007 or Form 1025) from the subject property appraisal. If the lease agreement reflects higher monthly rent than the appraisal, the lease amount may be used for monthly gross income ***with two months proof of receipt***. For purchase transactions without an existing lease, the market rent from the appraisal may be used.
- ***Lease Requirements***
  - An unexpired executed lease is required at the time of closing except for purchase transactions where there is no existing lease or the existing lease is not assigned.
  - For refinances, a current lease ***must be supported with two most recent bank statements showing consecutive rental payments. Use of projected income from form 1007 or form 1025 not allowed.***
  - An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.
  - Short term/variable rental income can be used for qualifying on refinance transactions when utilizing an on-line service such as Airbnb or VRBO. A minimum 12-month rental history is required, and the monthly gross income is the average monthly rental income for the most recent 12 months based on statements from the on-line service.

**Debt Service Coverage Ratio (DSCR)**

- Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (principal, interest, taxes, insurance, and homeowners’ association dues) of the subject property for fully amortizing loans or the ITIA for interest only loans.
- See the Product Matrix for the required Debt Service Coverage Ratios.

**Rent Loss Insurance**

- Rent loss insurance covering a minimum of 6 months is required for the subject property.

**Underwriting Requirements**

**Credit Score**

- The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).



	<ul style="list-style-type: none"> <li>• For multiple borrowers the credit score is the lowest of all representative credit scores.</li> <li>• If only one credit score or no credit score is reported borrower is not eligible. A minimum of two credit scores is required.</li> <li>• No borrower in a transaction may have frozen credit. If a borrower has frozen credit and unfreezes their credit after the original report was ordered, a new credit report must be obtained to reflect current updated information for evaluation.</li> <li>• Credit rescoring are not permitted unless the rescore is correcting erroneous line items or disputed accounts.</li> <li>• See the Product Matrix for the minimum credit score requirements.</li> </ul>
<p><b>Minimum Tradelines</b></p>	<ul style="list-style-type: none"> <li>• For each borrower, a minimum of 2 trade lines must be evident and must meet the following criteria:             <ul style="list-style-type: none"> <li>▪ One trade line must be open for 24 months and active within the most recent 6 months, And</li> <li>▪ One trade line must be rated for 12 months and may be open or closed.</li> </ul> </li> <li>• Authorized user accounts and non-traditional credit do not count towards meeting the requirements for tradelines.</li> </ul>
<p><b>Mortgage / Rental History</b></p>	<p>Required: 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 0X30.</p> <p>Mortgage/Rental history must be documented as follows.</p> <ul style="list-style-type: none"> <li>• A mortgage payment history from an institutional lender, including the month prior to closing, as verified through (i) credit bureau report reference for 12 months or (ii) 12 months canceled checks.</li> <li>• For rental verification a standard VOR completed by a professional management company or 12 months bank statements or canceled checks and a lease agreement to document the term and payment are required.</li> <li>• If a borrower is refinancing a privately held mortgage the following payment verification requirements apply:             <ul style="list-style-type: none"> <li>▪ 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).</li> <li>▪ Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.</li> </ul> </li> <li>• 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</li> </ul>

	<p>be provided by the lender/servicer.</p> <p>Borrowers who have lived in a rent-free situation are eligible if the borrower is an experienced real estate investor with a minimum of 12 months ownership and management of income-producing residential or commercial real estate within the past 24 months.</p>
<p><b>Cash Reserves</b></p>	<p>All loans require a minimum cash reserve. Reserves are calculated based on the PITIA (fully amortizing loans) or ITIA (interest only loans) of the subject property.</p> <p>Reserves must be verified and comprised of liquid assets that borrower can readily access. Equity lines of credit and gift funds are not acceptable sources to meet the reserve requirement.</p>
<p><b>Assets</b></p>	<ul style="list-style-type: none"> <li>• The borrower must have sufficient assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.</li> <li>• Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages.</li> <li>• Large deposits, defined as a single deposit that exceeds five (5) percent of the loan amount, must be sourced. Large deposits that cannot be sourced may be subtracted from asset amount.</li> <li>• Cash-out may be used for reserves</li> <li>• Acceptable sources of verified funds include:             <ul style="list-style-type: none"> <li>▪ Bank deposits</li> <li>▪ Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves.</li> <li>▪ Home Equity Line of Credit (HELOC)</li> <li>▪ Life Insurance surrender value if used for cash to close must be liquidated. If used for reserves no liquidation is required.</li> <li>▪ Sale of real property.</li> <li>▪ Sale of personal property with supporting documentation.</li> <li>▪ Disbursement from a Trust Fund.</li> <li>▪ Disbursement from an IRA/401K.</li> <li>▪ Disaster relief grants. Borrowers may use lump sum grant for down payment. No minimum contribution is required. Grant may not 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.</li> </ul> </li> <li>• Business funds can be used for down payment and cash reserves if the borrower(s) own 100% of the business and requires a letter from the accountant of the business or an underwriter cash flow analysis of the business balance sheet to confirm that the withdrawal will not negatively impact the business.</li> <li>• Gift funds are not allowed.</li> <li>• Gifts of equity are not allowed to be used as a source of funds.</li> </ul>

<p><b><i>Interested Party Contributions</i></b></p>	<p>Seller Contributions – Maximum 3%</p> <p>Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses. Interested party contributions exceeding the allowed amount per program highlights found in the Product Matrix will be deducted from the sales price to determine LTV.</p>
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