

Sunset Investor Solutions - DSCR

Effective Date: 8.23.2019



Maximum LTVs		>= 1.25		1.00 - 1.24		< 1.00	
FICO	Loan Amount	Purch / RT Refi	Cash Out	Purch / RT Refi	Cash Out	Purch / RT Refi	Cash Out
700+	<=1,000,000	80	70	80	70	75	70
	1,000,001-1,500,000	75	70	75	70	70	65
	1,500,001-2,000,000	70	65	70	65	70	65
	2,000,001-3,000,000	65	55	65	55	65	55
	3,000,001-5,000,000	60	50	60	50	60	50
640 - 699	<=1,000,000	75	65	75	65	75	65
	1,000,001-1,500,000	65	65	65	65	65	65
	1,500,001-2,000,000	65	60	65	60	65	60
	2,000,001-3,000,000	60	50	60	50	60	50
620 - 639	<=1,000,000	70	65	70	65	70	65

Program Restrictions		Income	
Housing	0x30x12	Debt Service Coverage Ratio (DSCR)	
BK (Chap 13 Discharge)	12 mo	<ul style="list-style-type: none"> Gross Income/PITIA (PI using the note rate rather than fully indexed. Use ITIA for IO loans) Transaction qualified on cash flow of the subject property Gross Income: Lower of Estimated Market Rent from Form 1007 and monthly rent from an existing lease (If lease amount higher, may be utilized with two months proof of receipt) 	
BK (Other)	36 mo		
Foreclosure	36 mo		
Short Sale/DIL	24 mo		
Min FICO	620	Investor Experience	
Max LTV: Purchase	80	Experienced Investor	
Max LTV: R/T	75	<ul style="list-style-type: none"> A borrower who has owned 2 or more properties within the most recent 12 months (Primary residence can be included), with 1 having documented rental income of 12 months or more. 	
Max LTV: Cash-Out	70	First Time Investor	
Max CLTV	80	<ul style="list-style-type: none"> A borrower that does not meet the Experienced Investor criteria. First Time Investors must have owned a residence (primary or rental) for a minimum of the most recent 12 months. 	
Max Loan Amount	5,000,000		
Fixed Terms	30 Year Fixed & 15 Year Fixed		
3/1& 5/1 LIBOR ARM (2/2/5 Caps)	1 YR LIBOR - 6 % Margin/Floor		
7/1 & 10/1 LIBOR ARM (5/2/5 Caps)	1 YR LIBOR - 6 % Margin/Floor		

Loan Amount		Prepayment Penalty	
<ul style="list-style-type: none"> Min Loan amount: \$75,000 Loan Amounts < \$150k: 70% Max LTV/CLTV Min Loan Amount \$150k when DSCR < 1.15 Loan Amounts>\$1MM & Cash-Out & LTV > 65% require 2 appraisals Loan Amounts>\$1.5MM require 2 appraisals Loan Amounts>\$3MM see additional overlays 		<ul style="list-style-type: none"> Allowed on Investment properties only Terms up to 3 Years are acceptable. Penalties not available on loans vested to individuals in New Jersey 	
Loan Amount > \$3,000,000		Financed Properties	
<ul style="list-style-type: none"> Only Available in the following states: CA, IL, FL, NJ, MD, VA, WA Cash-Out limited to the lower of 50% of property value or \$3,000,000 Property Types: SFR, Warrantable and Non-Warrantable Condos - FL Condos limited to 55% LTV See Guidelines for specific appraisal requirements (OVERLAYS APPY) 		<ul style="list-style-type: none"> No limit on financed properties Add 2 mo reserves for each added financed property. Total reserve requirement capped at 12 mo Maximum exposure to a single borrower \$5MM or 6 properties 	
		Compliance	
		<ul style="list-style-type: none"> Impounds are required Loans considered high-cost by Federal or State law not allowed Points and Fees may not exceed 5% (Prepay Penalty can be excluded) 	

Other LTV/CLTV Limits	
R/T Refi:	75%
R/T Refi & Ln Amount > \$2mm:	60%
Condo:	70%
2-4 Unit:	70%
Loan Amnt<150k:	70%
Interest Only:	75%
1st Time Investor:	65%

Cash-Out Limit / % of Value (Cash-In-Hand)	
% Property Value	Investor
Program Max:	65%
Loan Amnt > \$1mm:	60%
Loan Amnt > \$3mm:	50%
Condo & 2-4 Unit:	60%

Reserve Requirements	
<ul style="list-style-type: none"> 6 Months (+2 for each financed property) Loan amounts ≤ \$1.5MM & LTV ≤ 75% Reserves can be waived for RATE adjustment 	

Residency	
<ul style="list-style-type: none"> US Citizen Perm & Non-Perm resident alien Foreign National, see FN Matrix 	

Interest Only	
<ul style="list-style-type: none"> IO Period: 120 mo Amort Term: 240 mo Loan Term: 360 mo Qualifying Payment: ITIA Products: 5/1, 7/1, 10/1, FRM Max LTV/CLTV: 75% 	

Interested Party Contributions	
<ul style="list-style-type: none"> All LTV's: 3% 	

Max Acreage	
<ul style="list-style-type: none"> 2 Acres 	
Rural Properties	
<ul style="list-style-type: none"> Rural Properties Not Allowed 	

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Early Paid Off Policy (EPO)	EPO timeline is 12 months (365 days) from closing date of the loan.
Eligible Products	<p>Fully Amortizing: (Qualifying Ratios are based on PITIA payment with the principal & interest payment amortized over the loan term)</p> <ul style="list-style-type: none"> 3/1 LIBOR: (2/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying Rate: Qualify borrower(s) at Note Rate (Business Purpose) Only eligible for DSCR document type 5/1 LIBOR: (2/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying Rate: Qualify borrower(s) at Note Rate (Business Purpose) 7/1 LIBOR: (5/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying Rate: Qualify borrower(s) at Note Rate (Business Purpose) 10/1 LIBOR: (5/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying Rate: Qualify borrower(s) at Note Rate (Business Purpose) 15 Year Fixed 30 Year Fixed <p>Interest Only: (Qualifying Ratios are based on ITIA payment – Business Purpose)</p> <ul style="list-style-type: none"> 3/1 or 5/1 LIBOR: (2/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying rate (All Doc Types): Qualify borrower(s) at Note Rate Interest-Only Period: 10 Year Interest-Only Period follow by 20 Year Amortization Period 7/1 or 10/1 LIBOR: (5/2/5 Cap Structure) <ul style="list-style-type: none"> Qualifying rate (All Doc Types): Qualify borrower(s) at Note Rate Interest-Only Period: 10 Year Interest-Only Period follow by 20 Year Amortization Period 30 Year Fixed: <ul style="list-style-type: none"> Qualifying rate (All Doc Types): Qualify borrower(s) at Note Rate Interest-Only Period: 10 Year Interest-Only Period follow by 20 Year Amortization Period
Interested Party Contribution (IPC)	<p>May not exceed 3%</p> <p>All seller concessions must be properly disclosed in the sales contract, appraisal and HUD-1 and be compliant with applicable federal, state and local law. Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, 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 and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for LTV/CLTV calculations</p>
Escrow	<ul style="list-style-type: none"> Escrows / Impound Accounts are required Escrow Holdbacks – Not Permitted (No undisbursed Escrow Holdbacks are permitted - all work must be completed)
Eligible States	<ul style="list-style-type: none"> Nationwide (All Approved Lending States) MD and NJ restricted to Fico Score 660+
Secondary Financing	Secondary financing must be institutional. Lenders must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.

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Prepays Offered 1, 2, to 3 years	<p>Where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for one (1), two (2), or up to three (3) years following the execution date of the note. The following prepayment structures may be utilized; either six (6) months of interest or 3% of the outstanding principal balance.</p> <ul style="list-style-type: none"> • Six Months Interest – The prepayment charge will be equal to 6 months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that payoff due to sale or refinance, or curtailments that exceed 20% of original principal balance in a given 12-month time period. • 3% fixed percentage - The prepayment charge will be equal to 3% and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that payoff due to sale or refinance. • Prepayment penalties not available in loan vested to individuals in Illinois and New Jersey. • Prepayment penalties not allowed in KS, MD, MN, and OH.
Regulatory Compliance	<ul style="list-style-type: none"> • High Cost Limits: Loans exceeding any applicable federal, state or municipal High Cost limits are not eligible for purchase by Lender (e.g. HOEPA). • HPML/HPCT: Higher-Priced Mortgage Loans (HPML) are eligible for purchase in this program. • The maximum points and fees are limited to 5%.
Listing Seasoning	<ul style="list-style-type: none"> • For all cash-out refinances, properties previously listed for sale should be seasoned at least 6 months from the listing contract expiration / cancellation date to application date. Listing expiration dates of less than 6 months permitted with a prepayment penalty. (Must be cancelled prior to application date) • Rate & Term Refinance: Listings should be cancelled at least 1 day prior to loan application.
Insurance Requirements	<ul style="list-style-type: none"> • 100% of the insurable value of the improvement, as established by the property insurer -or- • The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount – 80% of the insurable value of the improvements – required to compensate for damage or loss on a replacement cost basis. • Rent loss insurance of 6 months or more is required for all Debt Service (DSCR)
Minimum Square Footage	<ul style="list-style-type: none"> • SFR: 700 sq. ft. • Condo: 500 sq. ft. • 2-4 Units: 400 sq. ft. per individual unit
Leasehold	<p>In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy. Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).</p>
Appraisal	<ul style="list-style-type: none"> • Appraisal Age: Appraisals must be dated within 120 days prior to Note date. After 120 days period, a re-certification of value is acceptable up to 180 days, a new appraisal is required. • Person Property: Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. • Appraisal Transfers: Allowed. • Appraisal Form: A full Interior & Exterior appraisal report on appropriate Fannie / Freddie form is required for all properties. Property Inspection Waiver (PIW) or exterior-only inspections are not allowed. • Fannie Mae Market Conditions Addendum: A Fannie Mae <i>Form 1004MC Market Conditions Addendum</i>, 1004MC must be included in the loan file. <p>A second appraisal is required when any of the following conditions exist. When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the 2 appraisals. The second appraisals must be from a different company and appraiser than the first appraisal.</p> <ul style="list-style-type: none"> ○ Loan amount is greater than \$1,500,000 ○ The transaction is a cash out, the LTV exceeds 65% and the loan balance exceeds \$1,000,000 ○ The transaction is defined as flip property defined in the Flipped section of this guide ○ As required under appraiser review products

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Appraisal Review Products (Lender to order)	<p>An appraisal review product is required on every loan file unless a 2nd appraisal is required, or the appraisal report has been submitted to Collateral Underwriter and the score is 2.5 or less. For loans using CU score of 2.5 or less, the file must include a copy of the SSR report.</p> <p>For files requiring an appraisal review product, the following options are available;</p> <ul style="list-style-type: none"> • An enhanced desk review product order through CDA from Clear Capital, • A field review or second appraisal is acceptable. The field review or 2nd appraisal may not be from the same appraisal company as the original report. (NOTE: Cost will need to be paid by TPO or borrower) <p>If CDA review reflects a value more than 10% below the appraised value or cannot provide a validation, a field review or second appraisal, both must be from a different appraisal company and appraiser than the appraisal report. (NOTE: Cost will need to be paid by TPO or borrower)</p>
Declining Market	<p>Trend of property values: “Declining Markets” require a 5% LTV reduction from regular LTV matrix for LTVs greater than 70%.</p>
Appraisal Transfers	<p>Allowed. Refer to JMAC Appraisal Policy for transfer requirements.</p>
Rural Property	<p>A property is classify as rural if;</p> <ul style="list-style-type: none"> • The appraiser indicates in the neighborhood section of the report a rural location; or • If any two of the following conditions exist; <ul style="list-style-type: none"> ○ The property is classified as rural by the appraiser ○ Two of the three comparable properties are more than 5 miles from the subject property ○ Less than 25% of the surrounding area is developed
Acreage	<p>Maximum Acreage: Maximum 2 acres (<i>exceptions allowed – discuss this with your account executive</i>) ; No truncating allowed.</p>
Land Trust	<p>Not Allowed</p>
Property Flipping	<p>For properties purchased by the seller of the property within <u>6 months of application date</u>, additional requirements apply:</p> <ul style="list-style-type: none"> • More than a 10% price increase if the seller acquired the property in the past 90-days; • More than a 20% price increase if the seller acquired the property in the past 91-180 days <p>The following additional requirements apply:</p> <ul style="list-style-type: none"> • Second appraisal required (see Appraisals section for approved AMC’s). • Property seller on the purchase contract must be the owner of record. • Increases in value should be documented with commentary from the appraiser and recent comparable sales. • Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.).

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Property Eligibility	<p>Property Condition</p> <ul style="list-style-type: none"> Properties with ratings of C4, C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to docs and the appraiser provides acceptable documentation to show that the property now meets C3 or better condition requirements. <p>ELIGIBLE PROPERTY TYPES</p> <ul style="list-style-type: none"> Single Family (SFR) 2-4 Unit Properties Planned Unit Development (PUD) – Must meet the requirements in <i>Fannie Mae Selling Guide B4-2.3-01</i> not be an ineligible PUD. Warrantable & Non-Warrantable Condo Projects <p>INELIGIBLE PROPERTY TYPES</p> <ul style="list-style-type: none"> Mixed Use properties; Vacant land or land development properties; Properties not readily accessible by roads that meet local standards; Properties not suitable for year-round occupancy regardless of location; Agricultural properties including: farms, ranches, orchards; Rural properties; Manufactured, Mobile or Modular Homes; Projects that include registration services and offer rentals of units on a daily, weekly or monthly basis. Resort Type Projects; Cooperative share loans; Boarding houses or bed/breakfast properties; Properties with zoning violations; Dome or geodesic homes; Assisted living facilities; Homes on Indian reservations; Log homes; Hawaii properties located in lava zones 1 and/or 2; Houseboats; Properties used for the cultivation, distribution, manufacture or sale of marijuana

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Large Loan Balance (> \$3,000,000)	<ul style="list-style-type: none"> The following appraisal restrictions apply to original loan balances that exceed \$3,000,000. <p><u>Neighborhood Analysis</u></p> <ul style="list-style-type: none"> Degree of Development and Growth Rate: Properties designated as "rural" not allowed Trend of Property Values: "Declining" Markets not allowed Supply of Properties in the Subject Neighborhood: Markets in "Over-supply" not allowed Price Range and Predominant Price: The appraised value may not exceed the highest value of the Predominant Price Range by more than 10% Marketing Time for Properties: "Over 6 months" Not Allowed Over-Improvement: The subject property may not be designated as an "over-improvement" <p><u>Comparable Sales</u></p> <ul style="list-style-type: none"> Minimum of 4 closed comparable sales All comparable sales must have occurred within the 12 months preceding the appraisal date At least 1 closed comparable must have occurred with 120 days of the appraisal date All comparable sales must be located within 4 miles of subject At least 1 closed comparable sale must be located within 1 mile of subject At least 2 closed comparable sales must be located within the same neighborhood as the subject <p><u>Property Condition</u></p> <ul style="list-style-type: none"> Eligible Property Condition Ratings: C1, C2, C3 Eligible Quality of Construction Ratings: Q1, Q2, Q3, Q4 <p><u>Maximum Acceptable Acreage</u></p> <ul style="list-style-type: none"> 2 acres <p><u>Zoning</u></p> <ul style="list-style-type: none"> Properties zoned as agricultural are not eligible <p><u>Total Adjustments</u></p> <ul style="list-style-type: none"> Total net adjustments should be minimal if the comparable is truly similar. Net Adjustments may not exceed 15% of the sales price of the comparable sale and gross adjustments may not exceed 25%.
Condominiums	<ul style="list-style-type: none"> Fannie Mae Warrantable & Non-Warrantable projects allowed. <ul style="list-style-type: none"> Warrantable Established Projects – Follow Fannie Mae full project review Non-Warrantable & New Projects – Must be reviewed by third (3rd) party due diligence (Note: Cost Applies – Contact Account Executive for details) General Project Criteria: <ul style="list-style-type: none"> Project has been created and exists in full compliance with applicable local jurisdiction, state, and all other applicable laws and regulations. Project meets all FNMA insurance requirements for property, liability, and fidelity coverage. Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements / betterments made to the unit. Project documents must not allow a unit owner or any other party priority over the rights of the first mortgagee.

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Non-Warrantable Condominiums	<p>NOTE: Stacking of risk is not allowed (Only 1 Non-Warrantable factor per project)</p> <ul style="list-style-type: none"> • SINGLE OWNER/ INVESTOR ENTITY CONCENTRATION: <ul style="list-style-type: none"> ○ Maximum of 25% of project owned by any Single Owner/Investor Entity. ○ Maximum of two (2) units owned by any Single Owner/Investor Entity if the project has fewer than 10 units. • NEW PROJECTS: A Project is considered new if any of the following apply: project is not fully completed or is subject to additional phasing or annexation, fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowners association has not been turned over to the unit owners. New Condominium Projects that meet all the following requirements are eligible for purchase. <ul style="list-style-type: none"> ○ Subject legal phase and any prior legal phases where units have been offered for sale are substantially complete. Substantially complete means that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete. ○ OCCUPANCY: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as primary or second home OR at least 50% of the total number of units in the subject legal phase and a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as primary or second home. ○ Developer must be responsible for assessments on unsold units built but not yet closed. ○ BUDGET: A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance. ○ Budget must reflect adequate funding for insurance deductible. ○ DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units. ○ Commercial space up to 35% of building space allowed when pre-sale exceeds 70%, otherwise limited to 25%. Commercial entity cannot control the HOA. • ESTABLISHED PROJECTS: Established projects, as defined by FNMA, which meet all the following requirements are eligible. • OCCUPANCY: There is no owner-occupancy requirement if the subject unit will be owner occupied. If property will be used as an investment property, a minimum of 30% of the total number of units in the project must be conveyed to owners who occupy their unit as a primary residence or second home. The project may not have delinquencies greater than 15%, the project reserve fund must represent a minimum of 100% of project's annual budget and appraisal must support rental market. • BUDGET AND RESERVE FUND BALANCE: A minimum reserve fund balance of 30% of annual budget must be in place. A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance. If not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and reserve fund balance supports a lower allocation as follows: <ul style="list-style-type: none"> ○ 7% to 9.99% requires a reserve fund balance of 50% of annual budget ○ 5% to 6.99% requires a reserve fund balance of 75% of annual budget ○ 3% to 4.99% requires a reserve fund balance of 100% of annual budget • DELINQUENT ASSESSMENTS: Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project. 60-day delinquency up to 20% may be allowed as non-warrantable if HOA reserve fund represents 120% of its annual budgeted income. • Commercial space limited to 50% of building space. Commercial entity cannot control HOA.
Financed Properties	<ul style="list-style-type: none"> • Maximum 15 financed properties for full documentation, & bank statement qualification. • Unlimited Financed properties for Debt Service (DSCR) Qualification. • Exposure to a single borrower not to exceed \$5,000,000 or 6 properties • Reserves: Add 2 months reserves for each additional financed property (including primary residence) based on subject PITIA, total reserve requirement is not to exceed 12 months PITIA (Requirement is not applicable when there is no reserve requirement.)

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Non-ARM's Length / Interest Party Transaction	<ul style="list-style-type: none"> • NON-ARM'S LENGTH TRANSACTION: A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions. When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property. <ul style="list-style-type: none"> ◦ A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage) • INTERESTED PARTY TRANSACTION: A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction. In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example, the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required. • ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS: <ul style="list-style-type: none"> ◦ Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction <ul style="list-style-type: none"> ▪ Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves. ◦ Seller(s) representing themselves as agent in real estate transaction • NON-ARM'S LENGTH AND INTERESTED PARTY RESTRICTIONS: <ul style="list-style-type: none"> ◦ Borrower to provide cancelled check verifying the earnest money deposit ◦ Cash-Out refinances not allowed ◦ Maximum LTV/CLTV: 75% ◦ Employer to employee sales or transfers not allowed ◦ Property trades between buyer and seller not allowed ◦ Renter(s) purchasing from Landlord not allowed ◦ Purchase between family members not allowed ◦ Other transactions not listed as eligible above are not allowed ◦ For Sale by Owner (FSBO) transactions must be arms-length
Rate / Term Transaction	<ul style="list-style-type: none"> • Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property. • Any subordinate loan not used in the acquisition of the subject property provided one of the following apply; <ul style="list-style-type: none"> ◦ Closed end loan, at least 12 months of seasoning has occurred; • HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000. (For business purpose transactions, any draw over the life of the loan may not have been utilized for personal use. Business purpose transactions will require a draw history schedule, along with a attestation from the borrower, in the credit file, that none of the advances where used for personal/consumer use). • Buying out a co-owner pursuant to an agreement. • Paying off an installment land contract executed more than 12 months from the loan application date. • Cash back in an amount not to exceed the lesser of 2% of the new loan amount of \$2,000 can be included in the transaction. • LTV/CLTV based upon the appraised value.

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Cash-Out Transaction	<ul style="list-style-type: none"> • A refinance that does not meet the definition of a rate/term transaction. • A mortgage secured by a property currently owned free and clear is considered cash out. • The payoff of delinquent real estate taxes (60-days or more past due) is considered cash out. • The borrower(s) must indicate the purpose of the cash-out proceeds. Cash-out proceeds must be for business purposes. (Cash-out proceeds for personal use not allowed). This includes any past draws on a HELOC secured by the subject property. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use). • Cash-out proceeds can be used for required reserves. • A 2nd appraisal is required for all cash-out transactions where the LTV exceeds 65%, and the loan balance exceeds \$1,000,000. • Loans not eligible for cash-out: <ul style="list-style-type: none"> ○ Properties listed for sale in the past 6-months unless pre-pay exists. (See Listing Seasoning) ○ A prior cash out transaction within 6-months • See Matrices for cash-out limits. <p>Cash-Out Seasoning: Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.</p> <ul style="list-style-type: none"> • For Cash-out seasoning greater than 12-months the appraised value can be used to determine the LTV/CLTV. • If Cash-Out Seasoning is between (6) to (12) months, the appraised value may be utilized to determine property value with the following restrictions: <ul style="list-style-type: none"> ○ The loan amount may not exceed 100% of the acquisition cost plus documented improvements ○ If the DSCR documentation option is selected; <ul style="list-style-type: none"> ▪ DSCR must be 1.15 or greater; ▪ The property may not be "Unleased" as defined by the guidelines • If Cash-Out Seasoning is between (3) to (6) months, the appraised value may be utilized to determine property value with the following restrictions: <ul style="list-style-type: none"> ○ The loan amount may not exceed 90% of the acquisition cost plus documented improvements ○ If the DSCR documentation option is selected; <ul style="list-style-type: none"> ▪ DSCR must be 1.15 or greater; ▪ The property may not be "Unleased" as defined by the guidelines • Cash-Out Seasoning of less than three (3) months, such as delayed financing, is allowed with the following restrictions: <ul style="list-style-type: none"> ○ 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. ○ The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property). ○ At least one of the following must exist; <ul style="list-style-type: none"> ▪ No mortgage financing was used to obtain the property. <ul style="list-style-type: none"> • 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, or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note. ▪ The mortgage being refinanced was used to purchase the property and has an original term of 24 months or less as evidenced by a copy of the settlement statement and original note. ▪ 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. ▪ The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

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Tradelines	<ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12-months with activity in the last 12-months, or At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12 months. <p>The following are <u>not acceptable to be counted as a tradeline</u>: “non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales, or pre-foreclosure sales.</p> <p>Limited Tradelines not allowed</p>
Housing History	<p>Mortgage/rental history is required. If a borrower’s mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 12 months history (cancelled checks, mortgage/rental statements including payment history, verification of mortgage/rental, etc.) must be provided.</p> <p>For properties owned free and clear, a property profile report or similar document, showing no liens against the property, should be included in the credit file.</p> <p>A combined total all mortgage and housing payments in the past 12 months must be used to determine the housing history eligibility. For borrower’s owning 4 or more properties, the following criteria will apply:</p> <ul style="list-style-type: none"> A mortgage history will be required on (3) investment properties, including the subject property (unless subject transaction is a purchase). In addition, the borrower’s primary residence housing history is required to be verified. VOM – Private Lender – When investment properties are financed by a Private Lender, only 3-months of cancelled checks or bank statements (reflecting the ACH payment) verifying timely payments will be required. In addition, the payoff statement for the subject property can reflect no more than 30-days of accrued interest. <p>For borrower’s owning fewer than 4 properties, the payment history for all financed properties must be verified for the most recent 12 month period.</p> <p>See Matrix for Grade Determination & specific restrictions.</p>
Charge-Offs Collections	<ul style="list-style-type: none"> Individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$2,000 must be paid in full prior to or at closing. Medical collections may remain open with a max cumulative balance of \$10,000 A 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination Collections and charge-offs that have expired under the state statute of limitations on debts. Evidence of expiration must be documented. Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following is met: <ul style="list-style-type: none"> Payments for open charge-offs or collections are included in the DTI (Subject to program DTI restrictions) Reserves are enough to cover the balance of the charge-offs or collections and meet reserve requirements.
Consumer Credit Counseling Services	Borrowers currently participating in Fannie Mae approved credit counseling services are acceptable if most recent 12 months are paid as agreed and the CCCS administrator provides a letter allowing borrower to seek new mortgage financing.
Judgements -or- Liens	All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.
Disputed Accounts	When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved.
Tax Liens	<p>All income tax liens (federal, state, local) must be paid off prior to or at loan closing. Tax lines that do not impact title may remain open provided the following are met;</p> <ul style="list-style-type: none"> The file must contain a copy of the repayment agreement A minimum of 6-payments has been made under the plan with all payments made on time The balance of the lien must be included when determining the maximum CLTV for the program Refinance transactions require a subordination agreement from the taxing authority
Bankruptcy	Note: See Matrix Grade for Specific Restrictions and eligibility.

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Foreclosure	<p>Note: See Matrix Grade for Specific Restrictions and eligibility.</p> <p>Foreclosures completed in the last 48 months require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.</p> <p>In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.</p>
Short Sale / Deed-In-Lieu	<p>Note: See Matrix Grade for Specific Restrictions and eligibility.</p> <p>Short Sales and Deed in Lieu of Foreclosures completed in the last 36 months require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date. For the Credit Grades of B or B- where the housing event can be settled, the delinquency proceeding the housing event can be ignored.</p> <p>In the case of a short sale/deed in lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of a) the date of discharge of bankruptcy and b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.</p>
Forbearance / Modification	<p>Note: See Matrix Grade for Specific Restrictions and eligibility</p> <p>Forbearance or loan modifications are treated as a short sale/deed-in-lieu of foreclosure for grading and pricing purposes. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made forbearance or modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation has been adequately resolved.</p>
Credit Decision Score	<p>Lowest Decision Score Amongst All Borrowers:</p> <ul style="list-style-type: none"> • Lower of the two credit scores -or- • Median of the 3 credit scores generated. <p>Note: The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories</p>
First Time Home Buyers (FTHB)	<ul style="list-style-type: none"> • Not Allowed
Eligible Borrower(s)	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien • Non-Permanent Resident Alien
Ineligible Borrower(s)	<ul style="list-style-type: none"> • Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any borrower(s) listed on HUD's Limited Denial of Participation (LDP), federal General Services Admin. (GSA) Excluded Party list or any exclusionary list.
Permanent Resident Alien	<p>An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.</p> <ul style="list-style-type: none"> • Acceptable evidence of permanent residency includes the following: <ul style="list-style-type: none"> ○ Alien Registration Receipt Card I-151 (referred to as a green card). ○ Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card). ○ Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions). ○ Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized." • Eligible without guideline restrictions.

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Non-Permanent Resident Alien	<p>An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.</p> <ul style="list-style-type: none"> Legal Status Documentation <ul style="list-style-type: none"> Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA Visa must be current and may not expire for a minimum of 3 years following the close date. When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer. Guideline restrictions: <ul style="list-style-type: none"> Maximum LTV/CLTV: 75% Full Documentation (24 Months) and Debt Service Coverage (DSCR) doc types only Gift Funds not allowed US credit requirements detailed under the CREDIT section of this guide should be utilized.
Reserves	<ul style="list-style-type: none"> The loan program reserve requirements are outlined on the Loan/LTV matrices. Loans priced without reserves (when applicable) have no reserve requirement for the subject property or other financed properties. Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months. The additional reserves are based upon the PITIA of the subject property. Reserves must be sourced and documented per guidelines. ARM loans – reserves based upon initial PITIA, not the qualifying payment. Reserves for a loan with an Interest Only feature based upon the interest only payment (ITIA). Proceeds from a cash-out refinance can be used to meet the minimum reserve requirements. Proceeds from 1031 Exchange cannot be used to meet reserve requirements
Gift Funds	<ul style="list-style-type: none"> Not Allowed.
Asset Documentation	<p>In addition to documenting minimum PITIA reserve requirements, all borrowers must disclose, and Seller must verify all other liquid assets. Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.</p> <ul style="list-style-type: none"> Account statements should cover most recent 60-day period. VOD must be dated within 30 days of loan application date. Stocks/Bond/Mutual Funds - 100% of stock accounts can be considered in the calculation of assets for closing and reserves. Vested retirement account funds – 60% may be considered for closing and/or reserves. Non-vested or restricted stock accounts are not eligible for use as down payment or reserves. Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves. When bank statements are used, large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 75% of the monthly average deposit balance. Large deposits need to be sourced based upon guidelines. An example of how to identify a large deposit follows: <ul style="list-style-type: none"> Month 1 Deposits <ul style="list-style-type: none"> \$1,000 \$1,500 Month 2 Deposits <ul style="list-style-type: none"> \$2,500 \$5,000 Total deposits equal \$10,000 or a monthly average of \$5,000. 75% of the monthly average is \$3,750. The \$5,000 deposit from month 2 needs to be sourced. <p>Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) prior to closing.</p> <ul style="list-style-type: none"> Documenting Assets Held in Foreign Accounts: <ul style="list-style-type: none"> Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table. A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds.

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DSCR	<p>Under the Debt Service Coverage documentation option property income is used to qualify the transaction. Debt Service Coverage is available to Experienced and First-Time Investors purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Certification of Business Purpose and an Occupancy Certification.</p> <ul style="list-style-type: none"> Experienced Investor: A borrower who has owned two (2) or more properties within the most recent twelve (12) months (Primary, investment, or commercial can be included), anytime during the most recent (12) months period, with one (1) having documented rental income of twelve (12) months or more. Rental income can be documented with one of the following; <ul style="list-style-type: none"> Two (2) mortgage trade lines on the credit report, reflecting 0x30x12 history, or Copy of lease with 2-months proof of receipt First-Time Investor: A borrower that does not meet the Experienced Investor criteria. First Time Investors must currently own a residence (primary or rental) for a minimum of the most recent twelve (12) months RESTRICTIONS: <ul style="list-style-type: none"> See Matrices for acceptable credit grades and max LTV; If DSCR < 1.15, minimum loan amount is \$150,000; Minimum 620 credit score; First-Time Investor max LTV/CLTV=65%; No Gift Funds permitted (Cash or Equity); Recent late payments on all consumer debt may not exceed 1X60 over prior 12 months.; BORROWER INCOME <ul style="list-style-type: none"> No proof of income required; The employment section of the 1003 loan application should be completed including a valid phone number, no further verification required. ASSET DOCUMENTATION <ul style="list-style-type: none"> In the case of DSCR documentation, only 30-days of Asset verification is required. Large deposits need to be sourced, but no seasoning requirements apply. The remaining asset documentation standards in Section 7.0 of this Guide apply. Any account statement should cover most recent 30-day period. VOD must be dated within 30 days of loan application date. LEASE REQUIREMENTS: <ul style="list-style-type: none"> Unleased Property: A property where (1) or both of the following exist: <ul style="list-style-type: none"> More than 50% of the units within the subject property do not have an existing lease; More than 50% of the units within the subject property have an executed lease reflecting month to month term(s) without proof of rent receipt within 90-days of the Note. Unleased Property LTV/CLTV Restrictions <ul style="list-style-type: none"> Purchase Transaction: Program Max Refinance (Rate/Term and Cash-Out) <ul style="list-style-type: none"> Loan Balance <= \$1,000,000 - 65%/65% Loan Balance > \$1,000,000 – 60%/60%. DOCUMENTATION REQUIREMENTS <ul style="list-style-type: none"> Purchase <ul style="list-style-type: none"> Form 1007 Existing lease agreement(s), if applicable Refinance <ul style="list-style-type: none"> Form 1007 Existing lease agreement(s) If subject property leased on a short-term basis utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period and either 12-monthly statements or an annual statement provided by the on-line service to document receipt of rental income. If documentation can't be provided covering a 12-month period, property will be considered unleased. Rent Loss Insurance: <ul style="list-style-type: none"> Rent loss insurance covering a minimum 6 months is required for the subject property.

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DSCR Calculation	<p>Gross Income: The lower of gross rents indicated on the lease agreement(s) and Form 1007. If the lease(s) agreement reflects higher rents than the 1007, the lease(s) amount may be used for gross rents if two months proof of receipt is verified. For purchase transactions without an existing lease and Unleased Property refinance transactions the gross rents indicated on the 1007 may be used without the lease agreement(s). For short term rentals, a higher 12 months average can be used than the 1007 if two months proof of receipt for the past 2 months is verified.</p> <p>Debt Service Coverage Ratio: The Monthly Gross Income divided by the PITIA of the subject property.</p> <p>See the Eligibility matrix for required Debt Service Coverage Ratios:</p> <p>EXAMPLE: DEBT SERVICE COVERAGE RATIO</p> <p>Single Family Purchase Money Transaction Monthly PITIA = \$650 Estimated Monthly Market Rent (Form 1007) = \$850 Existing Lease Monthly Rent = Not Available Gross Market Rent = \$850 (<i>Estimated Monthly Market Rent when a lease is not available for a purchase transaction</i>) Gross Income = \$850 ÷ PITIA = \$650 DSCR = 1.30</p>

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Vesting in LLC	<p>To vest a loan in an Entity, the following requirements must be met:</p> <ul style="list-style-type: none"> • Only one member allowed closing in LLC. • Purpose and activities are limited to ownership and management of real property. • Entity must be domiciled in a U.S. State. • The member must provide personal guarantees of the obligations of the Entity in a form satisfactory to JMAC. • The member must complete a Form 1003. The application of the Member and such person's credit score and creditworthiness will also be used to determine qualification and pricing. • No correspondent lender shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the Members individual member only. Agree with edit of the Entity. • When loan amount is >= \$1MM, a spousal consent will be required in community property states. • The Member of the Entity must receive notice of the loan and its terms prior to closing. • The following Entity documentation must be provided: <ul style="list-style-type: none"> ▪ Entity Articles of Organization, Partnership, and Operating Agreements, if any ▪ Tax Identification Number ▪ Certificate of Good Standing ▪ Certificate of Authorization for the person executing all documents on behalf of the Entity ▪ Borrowing Certificate • Documents must be completed and signed as follows: <ul style="list-style-type: none"> ○ Loan Application (1003) <ul style="list-style-type: none"> ▪ Completed for the Individual ▪ Section labelled "Title will be held in what Name(s)" should be completed with only the LLC name. ▪ Signed by Individual ○ Disclosures (LE Notice of Intent to Proceed, Servicing Disclosure, etc.) <ul style="list-style-type: none"> ▪ Completed and signed by Individual ○ LE/CD <ul style="list-style-type: none"> ▪ Completed and signed by Individual Other Closing Documents (LE/CD, Borrower Certification of Business Purpose, etc.) ▪ Completed and signed by Authorized Member ○ Personal Guarantee <ul style="list-style-type: none"> • Each individual who is a member of the entity, must provide a personal guarantee. • The guarantee should be executed at loan closing and dated the same date as Note. ○ Note, Deed of Trust/Mortgage, and all Riders <ul style="list-style-type: none"> • "Borrower" in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity