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# Foreign Nationals Advantage

**an AMB Solutions Product**

*(Foreign National / Foreign National Plus)*

*Product Guidelines*



**NMLS ID 629700**

*Disclaimer: This is not a consumer advertisement. It is for industry professionals only and not for delivery to consumers for a commercial communication purpose.*

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# Product Summary

Quick-reference parameters across AMB Solutions Foreign National programs.

	Description	Foreign National
General	Minimum Loan Amount	\$150K
	Maximum Loan Amount	\$1.0MM
	Minimum FICO	680
	Maximum LTV	65%
	Maximum DTI	45%
	Product Type	30 Yr Fixed, 7/6 ARM, 10/6 ARM, Interest Only (not permissible)
	Occupancy	2nd Home and Non-Owner Occupied only. No Primary residences
	Housing Event Seasoning	>= 4+ years
	Mortgage History	0x30x12
	Interest Only Restrictions	Not Eligible
Property	2-4 Units	Max 60% LTV
	Warrantable Condo	Max 60% LTV
	Non-Warrantable Condo	Max 60% LTV
	Rural Properties	Max 20 acres
	Declining Market	5% LTV Reduction
Borrower	First Time Homebuyer (FTHB)	First Time Investors Allowed. First Time Homebuyers Not Allowed
	Non-Occupant Co-Borrower	NA
	Permanent Resident Alien	NA
	Non-Permanent Resident Alien	NA
Income	Full Doc	Max 65% LTV

	<b>12 Month Bank Statement</b>	Max 65% LTV
	<b>24 Month Bank Statement</b>	Max 65% LTV
	<b>1099</b>	Max 65% LTV
	<b>12 Month Profit and Loss</b>	Not Permissible
	<b>Asset Depletion</b>	Not Permissible
	<b>Asset Qualifier</b>	Not Permissible
	<b>DSCR Calculation</b>	Gross Rent / PITIA
	<b>Minimum DSCR</b>	Minimum 1.0x
<b>Reserves</b>	<b>\$150,000 - \$500,000</b>	12 Months
	<b>\$500,001 - \$1,000,000</b>	12 Months
	<b>Additional Financed Properties</b>	(2) Months Incremental PITIA/ITIA Per Financed Property
	<b>Cash-out Used as Reserves</b>	Allowable
<b>Cash-Out</b>	<b>LTV &gt; 65%</b>	Max \$250K
	<b>LTV &lt;= 65%</b>	Max 50% LTV on Florida Condo Cash-Out
<b>ARM Info</b>	<b>ARM Margin</b>	5%
	<b>ARM CAPS</b>	2/1/5
	<b>Reset Period</b>	6 months
	<b>Index</b>	30 Day Average SOFR
	<b>ARM Floor</b>	Floor = Margin

## Foreign National – FICO & LTV Matrices

Maximum LTV by FICO score and loan amount.

Purchase & Rate/Term Refinance			
FICO	Loan Amount	Qualifying Income	Foreign National DSCR >= 1.00
<b>680+</b>	<= \$1.0MM	65	65
<b>Foreign Credit</b>	<= \$1.0MM	65	65

Cash-Out Refinance			
FICO	Loan Amount	Qualifying Income	Foreign National DSCR >= 1.00
<b>680+</b>	<= \$1.0MM	60	60
<b>Foreign Credit</b>	<= \$1.0MM	60	60

# Foreign National Plus – FICO & LTV Matrices

Maximum LTV by FICO score and loan amount for the Foreign National Plus program.

Purchase & Rate/Term Refinance			
FICO	Loan Amount	Qualifying Income	Foreign National DSCR >= 1.00
<b>680+</b>	<= \$1.0MM	65	65
<b>Foreign Credit</b>	<= \$1.0MM	65	65

Cash-Out Refinance			
FICO	Loan Amount	Qualifying Income	Foreign National DSCR >= 1.00
<b>680+</b>	<= \$1.0MM	60	60
<b>Foreign Credit</b>	<= \$1.0MM	60	60

## Foreign National Plus Program Highlights

- AMB Solutions Foreign National Plus Program is for Borrowers with a clean derogatory housing event history (>= 48 months clean) and mortgage history (0x30x12).
- A Foreign National is a non-U.S. Citizen who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements.
- Borrowers can qualify with Foreign Income or property level income (DSCR).
- DSCR qualification will be for Non-Owner-Occupied properties only.
- 2nd Home and Non-Owner Occupied only. No Primary residences.
- Max Loan Size of \$1.0mm.
- Max LTV of 65%.
- Minimum FICO of 680+.
- Borrowers qualifying with Foreign Income do not need a representative FICO score.
- 1.00x Minimum DSCR (Non-Owner-Occupied properties only).
- DTI up to 45%.
- Interest Only Not Permissible.
- Minimum 12 months reserves.

# Borrower Eligibility

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## Eligible Borrowers

- Foreign Nationals

## Foreign National

A Foreign National is a non-U.S. Citizen who is not authorized to live or work in the U.S. or holds a work Visa that is indicative of a more temporary residency than those required to meet Non-Permanent Resident Alien requirements. Foreign Nationals are ineligible for primary residence financing.

## Verification of Residency Status

The following Visa types are allowed as Foreign Nationals:

- B-1 and B-2
- I
- O-2
- H-2 and H-3
- J-1 and J-2
- P-1 and P-2
- Copies of the Borrower's passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-95 form (Arrival / Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing.
- If the visa will expire within six (6) months of the note date, it is acceptable to obtain a letter from the employer documenting the Borrower's continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).
- If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate any of the Foreign National requirements set forth in these guides. Individuals in possession of spouse or family member visas are to qualify as Co-Borrowers only.
- Borrowers who are residents of countries which participate in the State Department's Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at <https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiverprogram.html>.
- AMB Solutions does not buy loans originated to citizens of Venezuela or any other country or jurisdiction identified as not being allowed to transact business in the U.S.

## Credit Requirements

- A U.S. credit report should be obtained for each Foreign National Borrower with a valid Social Security Number (SSN). For Borrowers without a valid Social Security Number, an Individual Taxpayer Identification Number (ITIN) is also allowed. An ITIN is acceptable if the

Borrower has the ITIN for the purpose of reporting taxes from passive income sources and is not employed in the US. Foreign Nationals who do not have a valid SSN or ITIN may still proceed under the Foreign National program with all other requirements still applicable.

### **Qualifying U.S. Credit**

- Qualifying U.S. Credit refers to non-U.S. citizen Borrowers who meet standard tradeline requirements.

### **Qualifying Foreign Credit**

Qualifying Foreign Credit Borrowers must have an established credit history subject to the following requirements:

- Three open accounts with a two (2) year history reflecting no late payments.
- Mortgage and/or rental payment must be verified with a twelve (12) month history not to exceed 0x30 in the past twelve (12) months.
- A two (2) year housing history can be used as a tradeline.
- U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish three (3) open accounts. If letters are obtained, they must:
  - State the type and length of relationship, how the account(s) are held, and the status of the account(s).
  - Contain contact information for the person(s) signing the letter(s).
  - Any translation required must be signed and dated by a certified translator.

### **Income Requirements**

- Borrowers that have income sourced in the U.S. must comply with the standard documentation guidelines located in the Income Documentation section. For non-U.S. income, care must be taken in assessing a borrower's income. If income is declining or inconsistent, and cannot be isolated to a non-recurring instance, then the lowest annual income should be used. Continued declining income is not eligible for use in qualifying. Income from countries sanctioned by OFAC is not allowed.

### **Foreign Income Salaried / Wage Earner (using non-U.S. sources)**

Requires a most recent paystub covering a minimum 30-day period that includes year-to-date income, and one of the following:

- W-2 equivalent documentation, OR
- Two (2) years tax returns from borrower country of origin, OR
- A letter from employer which includes current monthly salary and YTD earnings for the past 2 years. Letter must be on company letterhead, include company address, company website, and provide a contact. Employer to be verified (LexisNexis, D&B, Google, or other). All documents must be translated by an independent certified translator.

### **Foreign Income Self-Employed (using non-U.S. sources)**

- Must be self-employed a minimum of 2 years, evidenced by a letter from borrower's CPA or equivalent. Letter must be on company letterhead and include income figures for each of the last 2 years as well as a current YTD income. A business license (when required) and organization documents should be provided.
- All documents must be translated by an independent certified translator, OR
- Two (2) years tax returns from the borrower's country of residence along with a YTD P&L statement.

## Non-Occupant Co-Borrower(s)

Non-Occupant Co-Borrowers are credit applicants that do not occupy the subject property. The following requirements must be met:

- Must be an immediate relative, proof of relationship is required.
- Must sign the mortgage/deed of trust.
- Must not have an interest in the property sales transaction.
- Maximum LTV of 80% or limited as posted on applicable AMB Solutions Program Matrix, whichever is lower.
- Single unit primary residence only.
- Maximum DTI of 43%.
- Additional six (6) months reserves required.
- Occupying Borrower must have documented income equal to 75% of PITIA.
- Purchase and Rate/Term Refinance only.

## Entity Vesting for Limited Liability Companies (LLC)

AMB Solutions does not currently allow vesting or closing in the name of Limited Partnership (LP), General Partnership, or Corporations (Corp).

### Entity Vesting Requirements

Properties vested in Limited Liability Companies (LLC) are limited to Investment and Business Purpose and the following requirements must be met:

- Entities must be formed for the purpose of Ownership and Management of Real Estate.
- Max of four (4) entity owners allowed.
  - All eligible guarantors must be disclosed and credit qualify – eligibility listed in section below.
- All Borrower(s) must execute the Occupancy Certification or similar form.
- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the Borrower must execute the Business Purpose & Occupancy Affidavit.

### Borrower / Guarantor Eligibility Requirements

Guarantor(s) must:

- Be a managing member or majority owner.

- Hold at least 25% ownership (as confirmed by the Operating Agreement or equivalent).
- Guarantor is subject to the same underwriting requirements as an individual Borrower.

Personal Guaranty (PG) is required when Note is not signed individually (see below for signing example).

- Guarantor(s) must sign all closing documents and disclosures.
- All Borrower(s) will be required to provide Personal Recourse.
- Consent of Spouse Form will be required in Community Property States when loan is signed with a Personal Guaranty and Spouse is not included on the loan.
  - Form must be executed at loan closing and dated the same date as the Note.

### Required Entity Documentation

The following entity documents are required:

- Articles of Incorporation.
- Operating Agreement (or equivalent).
- Tax Identification Number (Employer Identification Number – EIN).
- Certificate of Good Standing.
  - Must be dated within 30 days of closing.

### Layered Entity Structures

- Layered entities are permitted up to two (2) layers as long as the ownership structure is consistent from top to bottom with no discrepancies.
  - For example, if the borrower is ABC LLC, which is 100% owned by XYZ LLC, and John and Mary Smith are the sole owners of XYZ LLC, then John and Mary Smith must be the borrowers/guarantors. The ownership chain must be clear and aligned.
- Entities layered with a trust are NOT eligible.
- Guideline requirements above must be met for each entity.

### Entity Signature Requirements

- The Note must be signed by either the guarantor in their individual capacity and/or as member(s) and/or managing member of the entity. In cases where there will not be any individual capacity signatures, each applicable guarantor / manager must sign a Personal Guaranty in their individual capacity.
- The Mortgage / Deed of Trust / security instrument should be signed by the applicable guarantor(s) of the entity in their capacity as member(s) and/or managing member of the entity.

#### Example:

<b>Note:</b>
<i>John Smith (Individual signature if person is not signing a Personal Guaranty)</i>
<i>John Smith, as member of ABC Properties, LLC</i>

**Mortgage / Deed of Trust:**

*John Smith, as member of ABC Properties, LLC*

- Please refer to the "AMB Closing in the Name of an LLC SOP" for further details.

## **Ineligible Borrowers**

- ITIN
- Irrevocable or Blind Trusts
- Layered Entity with a Trust
- Land Trusts
- Non-profit organizations
- Borrowers with diplomatic immunity
- Asylum applicants
- Self-employed Borrower deriving their income from any Cannabis related business
- Borrower(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority

# Eligible Occupancy

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- Second Home
- Investment/Non-Owner Occupied (Business Purpose Only)

## Second Homes

A property is considered a second home when it meets all the following requirements:

- Must be located a reasonable distance away from the Borrower(s) principal residence.
- Must be occupied by the Borrower(s) for some portion of the year.
  - Maximum 30-days of rental.
- Is restricted to a one-unit dwelling.
- Must be suitable for year-round occupancy.
- The Borrower(s) must have exclusive control over the property.
- Must not be subject to any timeshare arrangements, rental pools, or other agreements which require the Borrower to rent the subject property or otherwise give control of the subject property to a management firm.
- Gift funds not permitted on Second Homes > 80% LTV.

## Investment / Non-Owner Occupied

- Occupancy designation for an income-producing property where the Borrower does not occupy the Subject property.
- All Borrower(s) must execute the Occupancy Certification or similar form.
- For DSCR Borrower(s) obtaining a Rate / Term or Cash-Out Refinance loan, the individual signing the Note and/or providing a personal guaranty must execute the Business Purpose & Occupancy Affidavit.
- For non-owner-occupied loans with a Guarantor, the individual(s) providing the guaranty must execute the Personal Guaranty Agreement.
- Ineligible for Non-Owner Occupied.
  - Gift funds not permitted on Non-Owner Occupied loans > 80% LTV.

# Eligibility

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## Eligible Transaction Types

### Purchase

- A purchase transaction is one which allows a buyer to acquire a property from a seller where the proceeds of the transaction are used to finance the acquisition of the Subject property.
- The lesser of the purchase price or appraised value of the Subject property is used to calculate the LTV.
- Sellers must have owned the property more than 6 months, otherwise the transaction is subject to review as a Flip Transaction. Scenarios must meet the definition and requirements as outlined in the Flip Transaction section of this guide.
  - Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction.
- Maximum Interested Party Contributions permitted up to 6%.

### Rate/Term Refinance

- A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only, with no additional cash or advancing of new money on the loan unless it is below the limited cash-out amount.
- The seasoned non-first lien mortgage is (1) a purchase money mortgage, (2) a closed end mortgage, or (3) a HELOC mortgage not having any draws greater than \$5,000 in the past twelve (12) months.
- Withdrawal activity must be documented with a transaction history from the HELOC.
- Limited cash to the Borrower must not exceed the lesser of \$5,000 or 2% of the principal amount of the new mortgage to be considered a Rate/Term refinance.
- The LTV will be based off the appraised value. Loan must be used to pay off existing lien on the subject mortgage and cash to the Borrower must not exceed the lesser of \$5,000 or 2% of the principal amount of the new mortgage.
- Properties that have been listed for sale by the Borrower within the past six (6) months from the Note Date may not be currently listed at the time of Loan Application and will require a Borrower LOE and Listing Cancellation.
- Multiple listings in the past twelve (12) months will not be eligible for purchase.
- The rate/term refinance of a construction loan is eligible with the following conditions:
  - If the lot was acquired twelve (12) or more months before applying for the subject loan, the LTV is based on the current appraised value of the property.
  - If the lot was acquired less than twelve (12) months before applying for the construction financing, the LTV is based on the lesser of (i) the current appraised value of the property and (ii) the total acquisition costs.

- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance.
- Refinancing of a Land Contract is considered a purchase and LTV should be calculated using purchase price.

### Cash-Out

- A Cash-Out Refinance transaction allows the Borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner to obtain a mortgage on a property that is currently owned free and clear. The Borrower can receive funds at closing if they do not exceed the program requirements.
- To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of six (6) months prior to the note date. For DSCR Cash-out seasoning and guidance, please refer to the DSCR section.
- Properties that have been listed for sale by the Borrower within the past six (6) months from the Note Date may not be currently listed at the time of Loan Application and will require a Borrower LOE and Listing Cancellation.
- Multiple listings in the past twelve (12) months will not be eligible for purchase.
- If the property is owned less than twelve (12) months but greater than six (6) months at the note date, the LTV for the transaction will be based on the lesser of the original purchase price plus fully documented improvements, such as invoices and/or confirmed by the appraiser, or current appraised value. The prior settlement statement will be required for proof of purchase price.
- Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance.

### Property Buyouts and Inherited Properties

- Refinances of inherited properties and properties legally awarded to the borrower, including DSCR loans, are allowed. This includes divorce, separation, and dissolution of a domestic partnership. Seasoning requirements do not apply, and the following guides must be met:
  - Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained.
  - Equity owners must be paid through subject loan's settlement.
  - Subject property has cleared probate and property is vested in the borrower's name.
  - Current appraised value is used to determine loan-to-value.

### Flip Transactions

- On a purchase transaction when the home is being resold within 180 days of seller's purchase date, the transaction is considered a flip (based on the day the borrower signs an initial purchase agreement).
- Flips with resale prices in excess of the following will require a pre-approval, unless seller acquired the property in a private sale not exposed to any multiple listing service:
  - More than 10% increase within 90 days.

- More than 20% increase from 91 to 180 days.
- Current purchase transaction must be listed with a realtor on Multiple Listing Services.
- Bank owned REO and corporate relocations are eligible and not considered a flip transaction.
- Second Appraisal is required for HPMLs if:
  - > 10% increase in sales price if seller acquired the property in the past 90 days.
  - > 20% increase in sales price if seller acquired the property in the past 91-180 days.

### **Delayed Financing**

- Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eighty (180) days from the date of purchase to the new mortgage note date.
- The original purchase transaction must be an arm's length transaction.
- The source of funds for the original purchase transaction must be documented (bank statements, personal loan documents, HELOC from another property, as example).
- The maximum LTV for the transaction will be based on the lower of the current appraised value of the subject or the purchase price plus any of the fully documented improvements, such as invoices and/or receipts for work performed and confirmed by the appraiser.
- The preliminary Title information must confirm that there are no existing liens on the property.
- The loan is considered a Cash Out transaction. Cash Out loan, LTV, and other limitations apply.

### **Ineligible Transaction Types**

- Subordinate Financing
- HELOC
- Bridge Loans
- Construction Loans
- Assignment of Contracts
  - If there are no fees involved, the assignment may be considered on a case-by-case basis and will require an investor exception approval, subject to LLPA. Please submit for a formal review.
- Builder Bailout & Model Leasebacks
- Conversion Loans
- Daily Simple Interest Loans
- Rent Credits
- Lease Option
- Tenants in Common, unless all parties vested match the actual borrowers of the loan
- Greater than 30-year terms
- Mobile to Land Loans

- Balloon Payments
- Negative Amortization
- Texas Cash-Out 50(a)(6)

## Income Documentation

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Unless otherwise noted, all borrowers should have a two- (2) year income history from employment or other allowable sources. The expectation is that income year over year is stable or shows a trend with a gradual increase. This type of income should be averaged for the borrower(s) gross monthly income used to qualify. A reasonable expectation should be present that the borrower(s) source(s) of income will continue for the foreseeable future.

In cases where a borrower(s) income is declining or shows unusual or unexpected fluctuation, careful consideration must be given to the income being reviewed and the reason for the decline or fluctuation. Proper discretion must be exercised to determine the extent or probability of impairment of the borrower's income and earning ability moving forward. Conservatively, the lesser income should be used when a declining situation is present. A letter of explanation is required from the borrower(s) to support the circumstances. Borrowers that show continued declining income without a reasonable explanation or proof that the trend will not continue are not eligible to use that income for qualification.

Income documented through Alternative Documentation programs may be combined with other income sources that are documented as Full Documentation but not associated with self-employment, such as a spouse employed as a wage earner. When wage income is combined with Alternative Documentation, a tax return is not required as this would invalidate the bank statements. Form 4506-C is still required; however, Box 8 should be checked to obtain a transcript of the W-2 earnings only. Combined income documentation types are intended for separate Borrowers on the same loan (husband and wife as example). Cases of combined income types for the same individual are not generally allowed.

## Full Documentation

### Wage Earners

- Most recent paystub (most recent thirty (30) day period) including year-to-date earnings (YTD must cover minimum of thirty (30) days).
- Two (2) years IRS 1040s or W2's and a Written Verification of Employment (if needed for the analysis of overtime, bonus, or commission).
- 4506-C W2 transcripts or 4506-C transcripts (If 1040 transcripts are provided, W2 transcripts are not required).
- In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
- Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment.
- Evidence of any IRS filing extensions must also be present in the loan file.
- Verbal Verification of Employment (VVOE):
  - Must be completed within ten (10) calendar days of the closing date.
  - VVOE should include name of contact at place of employment, phone number, and title, along with company name, address, and Borrower's job description and title.

- A Borrower who is no longer employed at the same employer listed on the initial 1003 is not eligible.

### **Self-Employed Borrowers (Full Documentation)**

- A Borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation. Borrowers may qualify with tax returns or 1099 income.
- Borrower's qualifying with tax returns:
  - Two (2) years personal & business tax returns (including all schedules and K-1's) plus YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest.
  - If the P&L covers more than nine (9) months, three (3) month bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary.
  - Borrower will be qualified on the lower of:
    - Monthly average of the net income from the tax returns and P&L, OR
    - Monthly net income from tax return multiplied by 115%.
  - Borrower(s) qualifying with 1099s must provide two (2) years 1099s.
  - 4506-C W2 transcripts or 4506-C 1099 transcripts (If 1040 transcripts are provided, W2 / 1099 transcripts are not required).
  - Generally limited to single employer and requires employer confirmation of no Borrower job-related expenses.
  - If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied.
  - In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.).
  - Most recent check stub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days).
  - 4506-C 1040 tax transcripts / 1099 transcripts.
  - Business tax transcripts not required if net business income is validated on the Borrower's 1040s.
  - In the case where taxes have been filed and the tax transcripts and/or 1099 transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
  - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment.
  - Evidence of any IRS filing extensions must also be present in the loan file.
  - All Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureaus.

- Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing.
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent.
- Self-employed paying themselves W-2 or K-1:
  - The ordinary income from the borrower's business multiplied by the borrower's ownership % should be used to qualify along with any W-2 wages that they pay themselves. Double counting is not allowed.
- Declining income – Self-employed:
  - Declining income of the last two (2) years may be utilized for qualifying with signed letter of explanation from the Borrower. Lower of the two (2) years would then be used to qualify unless the income has stabilized over the most recent six (6) months.

## **Streamline Documentation (One Year Verification of Income)**

### **Self-Employed Borrowers (Streamline Documentation)**

- A Borrower is considered self-employed with 25% or more ownership interest in a business. The business may be a sole proprietorship, general partnership, limited partnership, corporation, or S-corporation. Borrowers may qualify with either tax returns or 1099 income subject to the following conditions.
- Borrower's qualifying with tax returns:
  - One year personal and business tax (including all schedules and K-1's) plus YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest.
  - If the P&L covers more than nine (9) months, three (3) month bank statements are required to validate continued positive cash flow of the Borrower's business. Additional bank statements may be required if deemed necessary.
  - Borrower will be qualified on the lower of:
    - Monthly average of the net income from the tax return and P&L, OR
    - Monthly net income from tax return multiplied by 115%.
  - Borrower(s) qualifying with 1099s must provide one (1) year 1099s.
  - 4506-C 1099 transcripts (If 1040 transcripts are provided, 1099 transcripts are not required).
  - Generally limited to single employer and requires employer confirmation of no Borrower job-related expenses.
  - If a Borrower is not able to provide confirmation of no job-related expenses, a 10% Expense Factor will be applied.
  - In scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.).
  - Most recent check stub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days).

- All Borrowers must also provide evidence that business has been in existence for at least two (2) years via CPA / Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau.
- Verification of business existence and that the business is fully operational / active required within ten (10) calendar days of closing.
- Self-employed Borrower income in a licensed profession (i.e., Medical, Legal, Accounting) will be considered from a business that has been in existence for less than two (2) years, but greater than one (1) year if the Borrower has at least two (2) years of documented previous experience in the same profession, or evidence of formal education in a related field.
- IRS form 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying.
- 1040 tax transcripts / 1099 transcripts.
- Business tax transcripts not required if net business income is validated on the Borrower's 1040s.
- In the case where taxes have been filed and the tax transcripts and/or 1099 transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
- Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment.
- Evidence of any IRS filing extensions must also be present in the loan file.

# Assets

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## Documentation

- Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement, or FNMA approved third party direct pull services.
- Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves.
- Vested Retirement Accounts – 100% may be considered for reserves.
- Bitcoin or other forms of cryptocurrency are permitted for both funds to close and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation.
- Assets being used for dividend and interest income may not be used to meet reserve requirements.
- Follow FNMA guides if funds require liquidation when used for the down payment or closing costs, and if the funds are being used for reserves.
- Builder profits are not allowed.
- Maximum Interested Party Contributions permitted up to 6%.
- Rent credits not permitted.
- LOE is required for large deposits, exceeding 100% of monthly income. If questionable, an LOE should be provided; if LOE is sufficient, sourcing may not be required.
- DSCR large deposits should be in line and consistent with the borrower's overall credit profile and may require a letter of explanation.

## Business Assets

Business assets are an acceptable source of funds for down payment, closing costs, and reserves for self-employed borrowers; ALL of the following must be met:

- The borrowers on the loan must have a minimum of 25% ownership of the business and must be owners on the business account.
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent.
- All non-borrowing owners of the business must provide a signed and dated letter acknowledging the transaction and confirming the borrower's access to funds in the account.
- The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction.
- A signed letter from a CPA or Underwriter Cash Flow Analysis must also be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business; not required on DSCR loans.

## Gift Funds

- Gifts from family members, as defined by FNMA, are allowed.
- Gift funds cannot be counted towards reserves.
- General Requirements:
  - Purchase transactions only.
  - Gift funds not permitted:
    - Second Homes and Investor properties > 80% LTV
    - Borrowers utilizing Asset Depletion / Asset Qualifier programs
  - Gift funds are acceptable as 100% down payment for loans < 75% LTV.
  - Gift funds are acceptable for loans  $\geq$  75% LTV; however, the underlying Borrower(s) must contribute at least 5% of the transaction (lower of Purchase Price or Appraised Value) from their own funds.
  - Example: A \$500,000 purchase price where the LTV is going to be 75% or higher would require the borrower to have \$25,000 of their own funds provided ( $\$500,000 \times .05 = \$25,000$ ).

## Other Asset Sources

### Life Insurance Cash Value

- Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs, or reserves.

### Foreign Assets

- Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided.
- Assets from countries under OFAC sanctions are not permitted.

### Non-borrowing Spousal Joint Accounts

- Allowable with relationship letter. If the loan is a bank statement loan or 12-month P&L loan, non-borrowing joint account holder affidavit is required to ensure no deposits by that non-Borrower is included as income.

### Restricted Stock

- Restricted stock is ineligible to be used for reserves.

### Sale of Personal Assets

- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the assets is not a party to the property sale transaction or the mortgage financing transaction. Documentation required supporting Borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset, and Borrower's receipt of sale proceeds.

## Employer Assistance

- Employer assistance in the form of a grant, direct fully repayable second mortgage, forgivable second mortgage or deferred payment second mortgage or unsecured loan, and shared appreciation down payment assistance are permitted.
- Funds must come directly from the employer, may be used for down payment / closing costs subject to minimum Borrower contributions, may be used for reserves except for unsecured loans, and are only eligible for primary residence. Any obligation for the borrower that arises from receipt of this assistance must be included in qualifying the borrower.

## 1031 Assets

- Funds held by a 1031 administrator / agent are permitted for down payment and closing costs.

## Reserve Requirements

- Reserves are calculated off actual P&I payment plus taxes, insurance, and HOA fees (PITIA).
- See AMB Solutions Program Summary for specific reserve requirements.
- Reserves for an Interest Only ("IO") loan will be based on the initial Interest Only payment (ITIA).
- Additional reserves are required for Borrower(s) with additional financed properties other than the Subject property (Applicable to AMB Pro, Plus, and Foreign National Plus). DSCR does not require reserves for additional financed properties — Subject property only.
- Borrower(s) will be required to meet the subject property reserve requirement plus two months of reserves for each additional financed property, capped at a total of 12 months reserves for all properties (including Subject property).
- Example: Borrower with five (5) financed properties with a total monthly PITIA / ITIA of \$5,000 must have an additional \$10,000 in reserves in addition to the Subject property requirements.
- Cash-Out proceeds can be utilized for reserves on loans.

# Liabilities Assets

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## Departing Residence

- Departing residence positive rental income cannot be used to qualify. Departing residence PITIA/ITIA can be offset by 75% of projected net rental income, or if subject is recently rented, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit). Departing residence rental that produces a loss must be included in DTI.
- An additional 3 months Early Payoff (EPO) protection may be required in the following circumstances (will be monitored and nothing needed by AMB up front):
  - Departing residence is being converted to an investment property and the borrower can provide a signed 12-month lease from the new tenant and evidence of payment for some combination of monies received (1st, last, and security).
  - Departing residence is under contract for sale with evidence of earnest money deposit and that sale will occur prior to or within 30 days of subject loan funding.

## Departing Residence Exclusions

### Departing Residence Obligation Can Be Excluded (If No Contract in Place)

- Currently listed, or signed letter of intent from Borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction.
- Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal. Departure residence must have a minimum of twenty percent (20%) equity after deduction of outstanding liens to exclude the payment from the DTI. If less than twenty percent (20%) equity, the full payment must be included in the DTI.
- Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:
  - If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA/ITIA.
  - If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA/ITIA.

### Departing Residence Obligation Can Be Excluded (If Under Contract)

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared / satisfied. The departure transaction must be closing within thirty (30) days of the subject transaction. The pending sale transaction must be arm's length.
- No appraisal required for departure residence. The Borrower must be netting a positive number from the sale of the property, or assets must be accounted for to cover any funds the Borrower may have to bring to closing on the sale of the departure residence.

## Property Tax Estimates for New Construction

- Property taxes should be calculated using 1.5% of sales price for qualification (1.25% in California). Use of other property tax rates is allowed provided the rates are documented in the file.

## Student Loan

- Student loan payments must be included regardless of deferment or repayment in the DTI ratio. If a payment amount is not identified, 1% of the current loan balance may be utilized.
- Affordability-based payments may be used.

## Solar Leases

- Must conform to FNMA guidelines.
- PACE loans (or any similar loan with payments that are included in property taxes or take lien priority) are not eligible.

## Payoff Debt to Qualify

Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with the following:

- A credit supplement; OR
- Verification from the creditor liability has been paid in full; OR
- Evidence of payoff on Closing Disclosure.

## Debts Paid by Others

- Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for twelve (12) months (0x30). Any liability related to a separation or divorce can be omitted if ordered by family court. Documentation from the court is required.

## Obligations Paid by Business

- Excludable if can be tied to business related activities (i.e., vehicle) and twelve (12) months (0x30) proof the business pays. Expense must be evident on business financials and the borrowing entity is an individual.

# Property

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## Appraisal

- All appraisals must comply with and conform to USPAP and the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable.
- The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction.
- An appraisal prepared by an individual who was selected or engaged by a Borrower, property seller, real estate agent, or other interested party is not acceptable.
- Assigned/transferred appraisals are acceptable, unless ordered by Borrower.
- Two appraisals are required to be delivered for either of the following scenarios: loan amounts > \$2,000,000 or HPML flip transactions as defined by the CFPB. Interior photos are required.
- Original appraisals are valid for one hundred twenty (120) days from the note date. Any appraisal dated greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser and is good for an additional one hundred twenty (120) days. If the loan does not close within the initial recertification, then another update may be obtained but the original appraisal must be dated within 12 months of the note.
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or destroyed.
- Appraisals with condition or quality ratings of C5 or C6 are not eligible.
- Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences.
- For 2–4-unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required.

## Third Party Appraisal Review

- The Appraised Value (or lowest if two are required) is the only value used to determine the property value for the subject loan. Any secondary valuation products are provided only to support the value of the origination appraisal and are not meant to be used as a substitute value for the property.
- Loans should be submitted with a completed third-party review that validates the origination appraisal. Either a Clear Capital - Collateral Desktop Analysis "CDA" or a Stewart Valuation (fka Protek Valuation) - Appraisal Risk Review "ARR" are acceptable. Additional vendors that are Rating Agency approved may be eligible with permission. Loans delivered without a third-party valuation report are subject to having a report completed to ensure the origination value is supported (the cost of that report will be netted out of funding).
- The Vendor Appraisal Review final opinion of value must be within -10% of the origination appraisal(s).
- For LTVs > 85%, the review value must be within -5%.

- If the review value fails the above-mentioned variances, the seller must provide an additional valuation report to support the origination appraisal. The required report types, in order, are as follows: Field Review and then a 2055 Exterior Appraisal — must meet the required variance levels stated above to proceed.
- Review values greater than the origination appraisal have no tolerance requirements.
- The Seller may utilize Collateral Underwriter (CU) and/or Loan Collateral Advisor (LCA) as a secondary valuation if the score is  $\leq 2.5$ . File must include a copy of the Submission Summary Report. If both are run, they must be done at the same time; only one needs to have a passing score.
- Desk review and other review products are not required for loans with two (2) appraisals.

## Declining Markets

- Properties in declining markets as determined by the appraisal, other third-party valuation (i.e., Desk Review, BPO, AVM, etc.) will require a 5% reduction in the LTV/CLTV caps for all tiers within the loan matrices.

## FEMA Disaster Areas

- Sellers are responsible for identifying areas impacted by disasters and ensuring that subject property has not been adversely impacted.
- A list of federally declared disaster areas may be found on the FEMA website at <http://www.fema.gov.disasters>.
- In addition, when there is knowledge of an adverse event occurring near or around the subject property, including but not limited to earthquakes, floods, tornadoes, or wildfires, additional due diligence is required to determine when the disaster area guidelines must be followed.
- Guidelines for disaster areas should be followed ninety (90) days from the incident period, unless a completed appraisal dated post-incident is provided.

## Appraisal Completed Prior to Disaster

- Appraisal update or final from the appraiser must be obtained.
- Damage impacting the safety or habitability of the property or damage in excess of \$2,000 is ineligible.

## Appraisal Completed After Disaster

- Appraiser must comment on the adverse event and any effect on marketability or value.
- Damage impacting the safety or habitability of the property or damage in excess of \$2,000 is ineligible.

## Disaster Incident Occurs After Closing

- A Post Disaster Inspection (PDI) report from Clear Capital is required.
- Any indication of damage reflected on the report will require a re-inspection by the appraisal.

- Damage impacting the safety or habitability of the property or damage in excess of \$2,000 is ineligible.

### **Verbal Verification of Employment**

- New Verbal Verification of Employment (VVOE) required if the disaster event occurs after the original VVOE is completed.
- Borrower should still be employed at the same employer listed on the initial 1003 and continuing to receive the same amount of income.

### **Eligible Property Types**

- One Unit Single Family Residences (Attached/Detached).
- Single Family Properties with ADUs (Accessory Unit Dwelling) follow FNMA requirements and restrictions.
- Unpermitted additions/alterations and deferred maintenance to follow FNMA guidelines.
- Warrantable and Non-Warrantable Condominium Projects meeting all applicable criteria.
- Florida condo projects and associations subject to Florida SB-4D requirements will need Structural Integrity Reserve Studies and Milestone Structural Inspections subject to all state requirements. These properties will be considered on a case-by-case basis and will require an investor exception approval, subject to LLPA.
- 2-4 Unit Properties.
- Planned Unit Development (PUD – Attached/Detached).
- Townhouses.
- Leasehold Properties.
- Maximum of 20 acres.

### **Condominium Projects**

- AMB Solutions accepts both Warrantable and Non-Warrantable condominium projects.
- Sellers may review and approve both FNMA Warrantable and Non-Warrantable condo projects.
- Reviews of Warrantable Condo Projects must follow the Fannie Mae (FNMA) Selling Guide, unless additional criteria are specified, and Non-Warrantable reviews must follow Full Review and Non-Warrantable Condo criteria.

### **Documentation Requirements**

- HOA Condominium Questionnaire is required for all units in a condo project. A new review is required for each loan transaction.
- Condominium Project Questionnaire - Full Review, or similar.
- Condominium Project Questionnaire - Limited Review, or similar.
- Condominium Project Certification or similar certification must be provided with the loan package on all projects.
- Master insurance certificate including HO6, along with all required coverages (all projects).

- Current Budget (Full Review).
- Recorded declarations / CC&R's and by-laws (Full Review).
- Additional documentation may be required by underwriting to complete project review.

### Review Status Eligibility Types

- Fannie Mae Project Eligibility Review Service (PERS) Approval
  - New and Existing Condominium Project Approvals are acceptable.
  - Evidence of the PERS final project approval must be current through the Note Date and included in the Mortgage loan file.
- Condominium Project Manager (CPM) Approval
  - The project must have a valid, unexpired CPM Seller Certification as of the date of the Note and a copy must be in the Mortgage Loan file. The CPM status designation must reflect a designation that is eligible for sale.
  - In addition, there must not be any change of circumstances since the project information was submitted to CPM that would result in the project not satisfying Fannie Mae's eligibility criteria.
  - Note: Loans secured by units in projects with a status of "Unavailable" in Condo Project Manager (CPM) will require a Full Condo Project review and may be ineligible for purchase.

### Eligible Projects and Project Review Types

- Full Project Review
  - Attached Condo Unit in a New or Newly Converted Project.
  - Projects that are deemed ineligible for Limited Review must complete a Full Project Review.
  - Non-Warrantable Condos Project with NW Condo restrictions.
- Limited Project Review
  - The unit securing the mortgage must be an attached unit in an established condo project.
  - Attached units in established projects located in Florida may be subject to more restrictive LTV ratio requirements under the Limited Review process, as per FNMA guidelines.
  - The Seller must ensure the project and unit meet the following eligibility requirements:
    - The project meets the general requirements for condos, co-ops, or PUDs.
    - The project does not include manufactured homes.
    - No more than 15% of the units have special assessments that are 60 or more days past due.
  - If the LTV, CLTV, or HCLTV ratios exceed the limits, or if the seller becomes aware of any factors making the project ineligible under a Limited Review, they must use another review method. The project must meet all eligibility requirements for the selected review type.

- The Project does not exhibit any characteristics that would classify it as an ineligible condominium project under Fannie Mae (FNMA) guidelines, including but not limited to:
  - Condotels, including projects with registration services and/or projects that operate as motel/hotel
  - Projects Subject to Split Ownership Arrangements
  - Projects that Contain Multi-Dwelling Unit Condos or Co-ops
  - Projects with Property that is not Real Estate
  - Projects that Operate as a Continuing Care Community or Facility
  - Non-Incidental Business Arrangements
  - Commercial Space and Mixed-Use Allocation
  - Recreational Leases and Mandatory Memberships
  - Live-Work Projects
  - Litigation or Pre-litigation Activity
  - Single-Entity Ownership
  - Projects in Need of Critical Repairs
  - Projects Terminating or Involved in Insolvency Proceedings
- Project Review Waiver
  - Project review is waived for the following project types but must follow Fannie Mae Guides for acceptability:
    - Detached Unit in a New or Established Condo Project.
    - Unit located in a New or Established Two-to-Four Unit (2-4) Condo project.
    - Borrower/Entity Owners may not own more than two units in any Two-to-Four Unit (2-4) project.
    - Unit in a PUD project, except for PUD projects consisting of single-width and/or multi-width manufactured homes subject to a community land trust, deed restriction, ground lease, or shared equity arrangement and high LTV refinance loan.

### Expiration Dates for Project Reviews

Project Review Process Employed	Expiration of Project Review
<b>Limited Review / Full Review for Established Projects</b>	CPM/PERS must have been completed within one year prior to the note date – A new questionnaire is required for each loan transaction as well as the Condo Project Certification.
<b>Full Review for New Projects</b>	CPM/PERS must have been completed within 180 days prior to the note date – A new questionnaire is required for each loan transaction as well as the Condominium Project Certification.
<b>Approved by Fannie Mae as reflected in CPM</b>	CPM/PERS must be valid (unexpired) as of the note date – A new questionnaire is required for each loan transaction as well as the Condominium Project Certification.

- Loans secured by units in projects that did not meet Fannie Mae's eligibility requirements as of the note date may still be delivered after the project becomes compliant, provided all of the following are met:
  - The project meets applicable Fannie Mae eligibility requirements at the time of delivery.
  - All standard mortgage seasoning and other loan-specific requirements are satisfied.
  - Example: If a loan closes in a new project that does not yet meet Fannie Mae's pre-sale requirement, the loan may be delivered once the pre-sale threshold is met and all other criteria are fulfilled.

### **Florida Condominium Project Overlays**

- The following overlays apply to Florida condos that are three (3) or more stories high and thirty (30) years or older (25 years or older if the building is within 3 miles of the coastline):
  - Evidence is required that the building has completed the required inspections outlined in FL SB-4D.
  - If the building has not completed the required inspections it is ineligible for financing.
  - If the inspection revealed substantial structural deterioration and/or any unsafe or dangerous conditions, evidence that the required repairs have been completed is required, or the project is ineligible.
  - Evidence is required that the Association has completed the required structural integrity reserve study, and the budget adequately contains sufficient reserves.
  - The monthly HOA fee should be consistent with the budget.
  - 48 hours prior to closing, Seller must re-verify that the project has maintained its approved status.

### **Restrictions to Non-Warrantable Condominium Projects**

- Risk stacking of non-warrantable features are not permitted.
- A single owner / entity may not own more than 30% of the units.
- Commercial space must be typical to the market, have no negative impact, and comprise 49% or less of project space.
- Investor concentration up to 70%.
- No more than 25% of the total units in the project may be 60 days or more past due on their condo / HOA dues. This figure includes delinquencies for special assessments.
- Properties with significant deferred maintenance or critical repairs must adhere to FNMA criteria.
- Borrower must carry HO-6 coverage covering the replacement of items inside the unit. Master policy through association may also have walls in coverage, and if so, that will satisfy the requirement.
- If the project is located in a flood zone requiring insurance (per FNMA), both the subject property and complex must have adequate flood insurance.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal.

- Mandatory dues are not allowed.
- All common areas must be 100% complete.
- HOA should be in control. Projects under builder, developer control may be considered on a case-by-case basis and will require an investor exception approval, subject to an additional LLPA. Please submit for a formal review.
- HOA reserves must demonstrate a minimum of 10%. No exceptions will be considered on this.
- Projects involved in litigation are acceptable as long as the pending lawsuit(s) are not:
  - Structural in nature.
  - Do not affect marketability of the units.
  - Potential for damages do not exceed 25% of the HOA reserves OR with documentation from the insurance carrier and attorney representing the HOA or insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance is sufficient to cover the litigation.

## **Ineligible Property Types**

- Cooperatives (CO-OP's)
- Manufactured Homes
- Rural Properties are limited to max 20 acres
- Residential units with  $\geq 5$  units
- Log Homes
- Faux Log Homes (properties with a Log Cabin aesthetic, i.e., Log Cabin siding) may be eligible as determined by AMB
- Condotels
- Condominium projects with registration services or restrictions on owner's ability to occupy
- Unique Properties
- Mixed Use Properties
- Builder Model Leaseback
- Boarding Houses
- Barndominiums
- Group Homes
- Fractional Ownership / Timeshares
- Assisted Living / Continuing Care Facilities
- Mandatory Country Club Memberships
- Zoning Violations
- Properties under Construction
- Agricultural zoned properties (may be considered on a case-by-case basis)
- Multiple dwellings on same lot (legal ADUs are acceptable, must follow FNMA criteria)
- Working Farms

- C5 or C6 Property Condition Grades
- Live/Work Condos
- Earth Berm Homes
- Geodesic Domes
- Houseboats
- Homes on Native American Land (Reservations)
- Properties used for the cultivation, distribution, manufacture, or sale of Marijuana
- Theme Park Resort Properties

# Underwriter Analysis

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- **All Loans Must Be Manually Underwritten**
- All loan files must contain underwriter worksheets detailing qualifying income calculations and debt obligations considered or not considered (and reason for exclusion).

## Agency Ineligibility

- All applicable loans are required to have evidence of agency ineligibility.
- Underwriter to document the loan is not eligible for agency delivery.
- If loan is eligible for agency delivery, Underwriter will need to document AMB Solutions NQM pricing is better than agency and is more beneficial to the consumer.
- Documentation Options:
  - Complete AMB loan eligibility form, sign, and upload to Doc Manager.
  - Provide written evidence on the 1008 the loan is not eligible for agency delivery due to... (examples: income documentation, property type – NW Condo).

## Compensating Factors

A loan that exhibits a credit underwriting exception should have at least two compensating factors that are not related to the specific exception, that are intended to offset or mitigate the exception. Each loan presents a unique and individual set of circumstances and should be reviewed and considered based on their own content. The following list of possible compensating factors identifies some common types of compensating factors that may apply to a loan:

- FICO score above program minimum by twenty (20) points or higher.
- DTI below program maximum by 5% points or greater.
- PITIA/ITIA reserves above program minimum by six (6) months or higher.
- Reduction in housing payment by 10% or greater.
- Increase in residual income by 10% or greater.
- Residual income \$1,000 above the program minimum required.
- 0 x 30 x 24-month housing history.
- Five (5) years minimum in subject property.
- Job stability of five (5) years or more.

## Documentation Age

- Unless otherwise stated in this guide, all credit documents including credit report, income docs, and asset statements must be dated no more than one hundred twenty (120) days prior to the note date.

## Guideline Exceptions

- Exceptions to AMB Solutions NQM guidelines will be considered on a loan-by-loan basis. Loans with exception requests should exhibit strong documented compensating factors and are subject to additional LLPA's.
- Exceptions must be submitted for approval.
- Exceptions to hard guidelines (FICO, LTV, etc.) are not eligible.
- Users making requests are to follow internal exception process as outlined by your Underwriting Manager.
- Underwriter is to complete, in detail, the AMB Solutions NQM exception request form and submit to Underwriting Manager for 2nd review. If approved, Underwriting Manager will submit via email to Product Administration.
- Product Administration will review request and provide exception approval, denial, or re-negotiation outcome within 48 business hours, as available. Delays to exception responses, beyond 48 business hours, will be communicated.
- Exceptions are not guaranteed.

## Maximum Financed Properties

- The maximum number of financed properties to any one Borrower/Guarantor is limited to twenty (20) residential properties.
- Maximum AMB exposure to single Borrower/Guarantor: Lesser of \$7.5mm in unpaid principal balance or ten (10) residential properties.
- Borrower(s) will be required to meet the subject property reserve requirement plus two months of reserves for each additional financed property, capped at a total of 12 months reserves for all properties (including Subject property).
- Additional reserve requirements for other financed properties is not applicable on DSCR.

## Residual Income

- Residual income equals Gross Qualifying Income less Monthly Debt (as included in the DTI ratio).
- If the loan is an HPML, or if the DTI exceeds 43%, Borrowers must have a minimum monthly residual income as required below:

# in Household	Required Amount
1	\$1,500
2	\$2,500
Add \$150 for each additional household member	

# General Information

## Adjustable-Rate Criteria

- AMB offers 7/6 and 10/6 ARMs for Foreign National programs.
- 30-Day Average SOFR / Reset Period: 6 months.
- Caps: 2/1/5.
- ARM Floor = Margin.
- Margin: 5%.

## Product Types & Eligibility

Product	Qualifying Rate	Term	IO Term	Amort. Term	Index	Caps
7/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	5/1/5
10/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	5/1/5
30 Yr. Fix	Note Rate	360		360		

*DSCR loans will be qualified at the original Note Rate, regardless of ARM or Fixed.*

## Cash-Out Limits

- Please refer to AMB Solutions Summary for Cash-Out limits by program.

## Debt to Income (DTI)

- Please refer to AMB Solutions Summary for DTI limits by program.
- Loans with a DTI greater than 43% or HPML must follow residual income requirements as noted in the "Residual Income" section.
- Qualifying Payment:
  - For fixed rate loans, apply the fixed rate based on original balance fully amortized over selected term.

## Derogatory Housing History

- Please refer to AMB's Program Summary for housing history requirements and derogatory housing event seasoning.
- Derogatory Housing Events:
  - AMB defines Housing Events as Foreclosures, Short Sale, Deed in Lieu, Modification (due to default), Notice of Default, or 120+ Days Delinquent.
  - Bankruptcies are considered Housing Events, inclusive of Chapter 7, 11, and 13.

- Defaulted first and second mortgages on same property are considered one (1) event.
- Events include all occupancy types (Primary, Second Home, and Investment Properties).
- Seasoning lookback is from the date of discharge/dismissal or property resolution (completion date), as of the note date.
- Modification look back commences at inception (when loan was permanently modified).
- Housing History:
  - Twelve (12) month mortgage/housing history includes all occupancy types: Primary, Second Home, and Investment Properties.

## Hazard Insurance

- 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, or the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date.
- All other coverages/property types follow FNMA policy.

## Flood Insurance (1-4 Unit Properties)

The minimum amount of flood insurance required for first mortgages must be equal to the lesser of:

- 100% of the replacement cost value of the improvements,
- the maximum coverage amount available from NFIP, or
- the unpaid principal balance (UPB) of the loan (or loan amount at the time of origination).
- All other coverages/property types follow FNMA policy.

## Escrows

- Mandatory escrows for taxes and insurance will be required for all HPMLs (5 years) and Foreign National loans.

## Escrow Holdbacks

- Escrow Holdbacks are not allowed, no exceptions.

## Geography

- AMB Solutions products are eligible in all states where AMB is licensed to conduct business.
- Please see Retail and Wholesale Lending footprints for specific states.

## Minimum Loan Amount

- AMB Solutions Foreign National / Foreign National Plus: \$150K.

- AMB Solutions DSCR: \$125K.

Loans with a DTI greater than 43% or HPML must follow residual income requirements as noted in the Underwriter Analysis section of this guide.

## **Prepayment Penalties**

- Permitted on Non-Owner Occupied (Investment Properties) only. Prepayment penalties on primary residences and second home transactions are prohibited.
- Where permitted by applicable laws and regulations. Total points, fees, and APR may not exceed current state and federal high-cost thresholds.
- AMB does not originate or purchase loans defined as high-cost mortgages under Federal or state law, regardless of the basis for the loan's treatment as such.

# Compliance

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## Ability to Repay

- All covered loans must be designated as ATR compliant and must adhere to the standards set forth in CFPB's Reg Z Section 1026.43(c).
- Must be within 5% Points and Fees Cap.

## Assumability

- Fixed rate loans are not assumable.
- Adjustable-rate loans may be assumable depending on the note.

## E-Signatures

E-signatures are permitted except for the following documents:

- Note
- Deed of Trust and any riders/addendums
- Power of Attorney (POA)
- Documents requiring a Notary signature
- State regulated disclosures
- All the documents above require a wet signature.

## Fraud

- AMB has a zero-tolerance policy as it relates to fraud.
- Fraud prevention pull is required on all loans.

## High Cost

- Federal, State, and Local High-Cost Loans and cured High-Cost Loans are not permitted.

## Power of Attorney

- Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial URLA is signed by the Borrower executing the POA.
- Not permitted on Entities: LLC, Corporations, Entity Borrowers, etc.
- Not permitted on Cash-Out Transactions.

## Debt Service Coverage Ratio (DSCR) Program

### Non-Owner-Occupied / Business Purpose / Investment Only

### Overview DSCR Program

- DSCR Program is for professional investors with the following derogatory housing event history ( $\geq 36$  months clean) and mortgage history (0x30x12) seeking a business purpose, non-owner-occupied loan.
- First Time Investors are allowed provided that the DSCR is  $> 1.0$ , the Credit Score is  $> 700$ , and there are no exceptions on the file.
- First Time Investors MAY NOT be a First Time Homebuyer.
- Borrowers will qualify with property income (Debt Service Coverage Ratio).
- Debt Service Coverage Ratio = Gross Rent / PITIA (Amortizing loan) or Gross Rent / ITIA (Interest Only).
- DSCR eligible at 0.75x.
- No Ratio DSCR is acceptable with restrictions (See AMB Solutions DSCR FICO & LTV Matrices on page 8 of the guidelines).
- No personal income to qualify.
- Personal recourse required for all guarantors that meet the requirements referenced in Section 4.7. No additional Borrowers are allowed to join an entity on Title or on the subject loan.
- Max Loan Size of \$2.0mm.
- Max LTV of 80%.
- Minimum FICO of 660.
- Interest Only acceptable with restrictions.
- 3 months minimum reserves.
- No requirement for additional reserves for other financed properties, Subject Property reserves only.
- Cash-Out can be used as reserves.
- Housing history verification is required on subject property and borrower primary residence, regardless of whether or not the borrower is on the Note or Vested on Title. Any additional housing history included in the loan file that reflects delinquencies will be subject to review and must adhere to loan program matrix.

### DSCR Calculation

- A Debt Service Coverage Ratio (DSCR) ratio is required.  $DSCR = \text{Gross Rental Income} / \text{PITIA}$ , or  $DSCR = \text{Gross Rental Income} / \text{ITIA}$  for Interest Only loans.
- DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed.
- Gross Income will be calculated using the lower of the following:
  - Executed lease agreement, OR
  - Market rent from applicable Appraisal.
- If executed lease agreement reflects a higher monthly rent than Appraisal, it may be used (up to 120% of 1007) in the calculation with sufficient evidence of receipt. Two (2) most recent, consecutive months should be provided.

- On DSCR Refinance transactions, the qualifying Gross Rental Income figure is the higher of the market rent on Form 1007/1025 or the current lease. The amount that may be used for qualifying is based on the following:
  - When the market rent on Form 1007/1025 is greater than the current lease, the Seller may use the Market Rent amount as listed not exceeding 120% of the lease amount to qualify (e.g., lease is \$1,100 and Form 1007/1025 is \$1,500, then \$1,320 may be used to qualify). A copy of the lease is not required if the appraiser lists the rent amount for the subject on Form 1007/1025. Otherwise, a copy of the lease is required. If the subject is vacant as indicated by the appraiser, use the market rent from Form 1007/1025 with no vacancy factor.
- Any loan where Cash Out proceeds would be utilized for personal use is not eligible for AMB's DSCR program.

### **DSCR Short-Term Rental Income**

- Eligibility:
  - STR rental income is permitted for both purchase and refinance transactions.
  - STR income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location.
  - Maximum Combined Loan-to-Value (CLTV): 75% and Minimum Debt Service Coverage Ratio (DSCR): 1.00x (For LTV greater than 70%, contact the lock desk for pricing).
- Documentation Requirements:
  - STR income may be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. This form must accompany and be a part of the original appraisal.
  - Income may be verified through a third-party property management provider OR Vendors such as Airbnb, VRBO, and HomeAway are acceptable.
  - Documentation must include the property address or a unique property ID specific to the subject property.
- Calculation:
  - Purchases: Gross rent is based on 100% of the 1007 market rent from the appraisal OR the supplement appraisal form completed by the appraiser of record.
  - Refinances: Gross rent is the lower of:
    - 100% of the 1007 market rent from the appraisal, OR the supplement appraisal form completed by the appraiser of record reporting Short Term Rental Income, OR
    - The Actual 12-month STR income history, as supported by documentation from Airbnb, VRBO, HomeAway, or a third-party property management provider.

### **DSCR Reserve Requirements**

- Reserves are calculated off actual P&I payment plus taxes, insurance, and HOA fees (PITIA).
- For Interest Only loans, reserves will be calculated off the initial Interest payment, plus taxes, insurance, and HOA fees (ITIA).
- No requirement for additional reserves for other financed properties, Subject Property reserves only.

- See AMB Program Summary for specific DSCR reserve requirements.
- Cash-Out proceeds can be utilized for reserves on loans.

### **DSCR Employment Verification**

Employment Verification can be listed but not required on DSCR. Guidance below breaks down all verification options.

- Wage Earner / Salaried Borrower:
  - Salaried/wage earner can provide an employment letter on company letterhead signed by an authorized representative of the company.
  - Letter should contain date, address, position, and amount of time employed.
  - FNMA Form 1005 could also be utilized.
  - Additional documented verification of employment can be utilized, if reasonable.
- Self-Employed Borrowers:
  - Self-employed Borrowers/Guarantors can provide a letter from their Tax Professional certifying a minimum of two years' business experience.
  - Accountant letter should contain name, address, phone, and license number.
  - Tax Professional should provide the above information and include proof of their appropriate licensing information.
  - Additional documented verification of employment can be utilized, if reasonable.
- Professional Investors:
  - AMB DSCR Program is only eligible for Professional Investors.
  - Professional Investors must have at least twelve (12) months of experience owning and/or managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note.
  - First Time Investors are allowed provided that the DSCR is > 1.0, the Credit Score is > 700, and there are no exceptions on the file.
  - First Time Investors MAY NOT be a First Time Homebuyer.
  - A Letter of Explanation (LOE) by the Borrower is required to detail relevant real estate experience.
  - AMB reserves the right to request specific documentation to validate the LOE.

### **DSCR Rent Loss Insurance**

- Rent loss insurance for the subject property is required and must equal at least six (6) months of local average monthly rents.
- Blanket policies covering the subject property are permitted.

### **DSCR Recourse / Guaranty**

- Personal recourse required for all guarantors that meet the requirements referenced in the "Limited Liability Companies (LLC)" guideline section. No additional Borrowers are allowed to join an entity on Title or on the subject loan.

### **DSCR Assignment of Rent**

- 1-4 Family Rider / Assignment of Rents (FNMA Form 3170) Required.

**DSCR Cash-Out**

Cash out proceeds on a refinance loan are allowed with the following requirements:

- Borrower must have owned the subject property 6+ months using date of original acquisition and subject loan Note date for timing.
- Cash-Out is for Business Purposes only and the borrower must provide an LOE detailing the purpose and use of the proceeds. While maintaining the property is an acceptable use for cashout proceeds, major renovations, rehabs, etc. are not permitted on subject property that could deem the property uninhabitable.
- For DSCR Borrower(s) obtaining a Rate/Term or Cash Out Refinance loan, the Borrower must execute a Business Purpose & Occupancy Affidavit.
- All Borrower(s) must execute the Occupancy Certification.
- Please refer to AMB's Program Summary for specific details regarding maximum LTV and Cash Out amounts.
- Maximum Combined Loan-to-Value (CLTV): 75% and Minimum Debt Service Coverage Ratio (DSCR): 1.00x (For LTV greater than 70%, contact the lock desk for pricing).