first community mortgage

FCM NMLS ID 629700

a MORTGAGE Boutique

a division of First Community Mortgage

AMB Solutions NQM
PRO / PLUS / DSCR

The following guidelines are intended to reference and supplement Fannie Mae's Seller Guide. Qualifications not specifically referenced herein will follow Fannie Mae. Difference in standards between Fannie Mae and FCM Solutions Guides; follow FCM Solutions Guide.

EQUAL HOUSING LENDER

NMLS# 629700

Product Descriptions/Product Code	
Product Description	**Product Code**
FCM Solutions Pro NQM-FD 30 Yr Fixed	FCMSPROFD30
FCM Solutions Pro NQM-FD 7/6 ARM	FCMSPROFD76ARM
FCM Solutions Pro NQM-FD 10/6 ARM	FCMSPROFD106ARM
FCM Solutions Pro NQM-12BS 30 Yr Fixed	FCMSPRO12BS30
FCM Solutions Pro NQM-12BS 7/6 ARM	FCMSPRO12BS76ARM
FCM Solutions Pro NQM-12BS 10/6 ARM	FCMSPRO12BS106ARM
FCM Solutions Pro NQM-24BS 30 Yr Fixed	FCMSPRO24BS30
FCM Solutions Pro NQM-24BS 7/6 ARM	FCMSPRO24BS76ARM
FCM Solutions Pro NQM-24BS 10/6 ARM	FCMSPRO24BS106ARM
FCM Solutions Plus NQM-FD 30 Yr Fixed	FCMSPLUSFD30
FCM Solutions Plus NQM-FD 7/6 ARM	FCMSPLUSFD76ARM
FCM Solutions Plus NQM-FD 10/6 ARM	FCMSPLUSFD106ARM
FCM Solutions Plus NQM-12BS 30 Yr Fixed	FCMSPLUS12BS30
FCM Solutions Plus NQM-12BS 7/6 ARM	FCMSPLUS12BS76ARM
FCM Solutions Plus NQM-12BS 10/6 ARM	FCMSPLUS12BS106ARM
FCM Solutions Plus NQM-24BS 30 Yr Fixed	FCMSPLUS24BS30
FCM Solutions Plus NQM-24BS 7/6 ARM	FCMSPLUS24BS76ARM
FCM Solutions Plus NQM-24BS 10/6 ARM	FCMSPLUS24BS106ARM
FCM Solutions DSCR NQM 30 Yr Fixed	FCMSDSCR30
FCM Solutions DSCR NQM 7/6 ARM	FCMSDSCR76ARM
FCM Solutions DSCR NQM 10/6 ARM	FCMSDSCR106ARM

first community mortgage

	Description	FCM Solutions Pro	FCM Solutions Plus	FCM Solutions DSCR
General	**Minimum Loan Amount**	$150K	$150K	$125K
	Maximum Loan Amount	$3.0MM	$2.0MM	$2.0MM
	Minimum FICO	660	660	660
	Maximum LTV	90%	90%	80%
	Maximum DTI	55%, with compensating factors	50%	N/A
	Product Type	30 Yr Fixed, 7/6 ARM, 10/6 ARM	30 Yr Fixed, 7/6 ARM, 10/6 ARM	30 Yr Fixed, 7/6 ARM, 10/6 ARM
	Occupancy	Primary 1–2-unit, 2nd Home, Investment *(Business Purpose Only)*	Primary 1–2-unit, 2nd Home, Investment *(Business Purpose Only)*	Investment *(Business Purpose Only)*
	Housing Event	>= 4+ years	>=3+ Years	3+ years
	Mortgage History	0x30x12, 0x60x24	1x30x12, 0x60x24	0x30x12
Property	**2-4 Units**	Max 85% LTV/CLTV	Max 80% LTV	Max 75% LTV
	Warrantable Condo	Max 85% LTV/CLTV	Max 80% LTV	Max 75% LTV
	Non-Warrantable Condo	Max 80% LTV/CLTV	Max 75% LTV	Max 75% LTV
	Rural Properties	Owners Occupied Only, No C/O, Max 75% LTV/CLTV	Owners Occupied Only, No C/O, Max 75% LTV/CLTV	Not Eligible
Borrower	**First Time Homebuyer (FTHB)**	Allowed	Allowed	First Time Investors Allowed. First Time Homebuyers Not Allowed
	Non-Occupant Co-Borrower	Primary/OO 1 unit only, Max 80% LTV/CLTV, Max 43% DTI, No Cash-Out	Primary/OO 1 unit only, Max 75% LTV/CLTV, Max 43% DTI, No Cash-Out	NA
	Permanent Resident Alien	Eligible	Eligible	Eligible
	Non-Permanent Resident Alien	Max 80% LTV/CLTV No Cash-Out	Max 75% LTV/CLTV No Cash-Out	Not Eligible
Income	**Full Doc**	Max 90% LTV	Max 90%LTV	NA
	12 Month Bank Statement	Max 90% LTV	Max 90%LTV	NA
	24 Month Bank Statement	Max 90% LTV	Max 90%LTV	NA
	DSCR Calculation	NA	NA	Gross Rent/PITIA
	Minimum DSCR	NA	NA	.75x or No Ratio
Reserves	**$150,000 - $500,000**	6 Months	3 Months	3 Months
	$500,001 - $1,000,000	6 Months	3 Months	6 Months
	$1,00,001 - $2,000,000	9 Months	6 Months	6 Months
	> $2,000,000	12 Months	9 Months	NA
	Additional Financed Properties	2 Months Incremental PITIA per financed property	2 Months Incremental PITIA per financed property	None
	Cash-out Used as Reserves	Allowable	Allowable	Allowable
Cash-Out	**LTV > 60%**	Max $750K	Max $500K	Max $500K
	LTV<= 60%	Unlimited	Unlimited	Unlimited
ARM Info	**ARM Margin**	4%	4.50%	5%
	ARM CAPS	5/1/5	5/1/5	5/1/5
	Reset Period	6 months	6 months	6 months
	Index	30 Day Average SOFR	30 Day Average SOFR	30 Day Average SOFR

	ARM Floor	Floor= Margin	Floor= Margin	Floor=Margin

Purchase & Rate Term Refinance

FICO	Loan Amount	Primary/OO		Second Home		Investment/NOO	
		Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc
740	<= $1.0MM	90	90	85	85	85	85
	<= $1.5MM	85	85	85	80	85	80
	<= $2.0MM	85	85	80	80	80	80
	<= $2.5MM	80	80	75	75	75	75
	<= $3.0MM	75	75	70	70	70	70
720	<= $1.0MM	85	85	85	85	85	85
	<= $1.5MM	85	85	85	80	85	80
	<= $2.0MM	80	80	80	80	80	80
	<= $2.5MM	80	80	75	75	75	75
	<= $3.0MM	75	75	70	70	70	70
700	<= $1.0MM	85	85	85	85	85	85
	<= $1.5MM	85	85	85	80	80	80
	<= $2.0MM	80	80	80	80	80	80
	<= $2.5MM	75	75	75	75	75	75
	<= $3.0MM	70	70	70	70	70	70
680	<= $1.0MM	80	80	80	80	80	80
	<= $1.5MM	80	80	80	80	80	80
	<= $2.0MM	75	75	75	75	75	75
	<= $2.5MM	70	70	70	70	70	70
	<= $3.0MM	NA	NA	NA	NA	NA	NA
660	<= $1.0MM	80	80	80	80	80	80
	<= $1.5MM	75	75	75	75	75	75
	<= $2.0MM	75	75	70	70	70	70
	<= $2.5MM	70	70	65	65	65	65
	<= $3.0MM	NA	NA	NA	NA	NA	NA

Cash-Out Refinance

FICO	Loan Amount	Primary/OO		Second Home		Investment/NOO	
		Full Doc	Alt-Doc	Full Doc	Alt-Doc	Full Doc	Alt-Doc
740	<= $1.0MM	80	80	75	75	75	75
	<= $1.5MM	75	75	75	75	75	75
	<= $2.0MM	75	75	70	70	70	70
	<= $2.5MM	70	70	65	65	65	65
	<= $3.0MM	65	65	60	60	60	60
720	<= $1.0MM	75	75	75	75	75	75
	<= $1.5MM	75	75	75	75	75	75
	<= $2.0MM	70	70	70	70	70	70
	<= $2.5MM	70	70	65	65	65	65
	<= $3.0MM	65	65	60	60	60	60
700	<= $1.0MM	75	75	75	75	75	75
	<= $1.5MM	75	75	70	70	70	70
	<= $2.0MM	70	70	70	70	70	70
	<= $2.5MM	65	65	65	65	65	65
	<= $3.0MM	60	60	60	60	60	60
680	<= $1.0MM	70	70	70	70	70	70
	<= $1.5MM	70	70	70	70	70	70
	<= $2.0MM	65	65	65	65	65	65
	<= $2.5MM	60	60	NA	NA	NA	NA
660	<= $1.0MM	70	70	70	70	70	70
	<= $1.5MM	70	70	70	70	70	70
	<= $2.0MM	60	60	60	60	60	60

Purchase & Rate/Term Refinance

FICO	Loan Amount	Primary/OO	Second Home	Investment
740	<= $1.0MM	90	85	85
	<= $1.5MM	85	80	80
	<= $2.0MM	80	75	75
	<= $2.5MM	75	75	75
	<= $3.0MM	70	70	70
720	<= $1.0MM	85	80	80
	<= $1.5MM	85	80	80
	<= $2.0MM	80	75	75
	<= $2.5MM	75	75	75
	<= $3.0MM	70	70	70
700	<= $1.0MM	85	80	80
	<= $1.5MM	80	80	80
	<= $2.0MM	80	75	75
	<= $2.5MM	75	70	70
	<= $3.0MM	70	NA	NA
680	<= $1.0MM	80	80	80
	<= $1.5MM	80	75	75
	<= $2.0MM	75	70	70
	<= $2.5MM	70	70	70
	<= $3.0MM	NA	NA	NA
660	<= $1.0MM	80	75	75
	<= $1.5MM	75	75	75
	<= $2.0MM	70	70	70
	<= $2.5MM	NA	NA	NA
	<= $3.0MM	NA	NA	NA

Cash-Out Refinance

FICO	Loan Amount	Primary/OO	Second Home	Investment
740	<= $1.0MM	75	75	75
	<= $1.5MM	75	70	70
	<= $2.0MM	70	70	70
	<= $2.5MM	65	65	65
	<= $3.0MM	60	60	60
720	<= $1.0MM	75	75	75
	<= $1.5MM	75	70	70
	<= $2.0MM	70	70	70
	<= $2.5MM	65	65	65
	<= $3.0MM	NA	NA	NA
700	<= $1.0MM	75	70	70
	<= $1.5MM	75	70	70
	<= $2.0MM	70	65	65
	<= $2.5MM	65	NA	NA
	<= $3.0MM	NA	NA	NA
680	<= $1.0MM	75	70	70
	<= $1.5MM	70	65	65
	<= $2.0MM	65	NA	NA
	<= $2.5MM	60	NA	NA
660	<= $1.0MM	70	65	65
	<= $1.5MM	65	60	60
	<= $2.0MM	60	NA	NA

AMB Solutions DSCR

FICO & LTV/CLTV Matrices

Purchase & Rate/Term Refinance				
FICO	Loan Amount	DSCR >= 1.00	DSCR >= .75	No Ratio DSCR
740	<= $1.0MM	80	75	75
	<= $1.5MM	75	70	70
	<= $2.0MM	75	65	65
720	<= $1.0MM	80	75	70
	<= $1.5MM	75	70	65
	<= $2.0MM	75	65	NA
700	<= $1.0MM	75	75	65
	<= $1.5MM	75	70	65
	<= $2.0MM	70	65	NA
680	<= $1.0MM	75	70	65 (60 R/T Refi)
	<= $1.5MM	70	NA	NA
	<= $2.0MM	65	NA	NA
660	<= $1.0MM	70	60	60
	<= $1.5MM	65	NA	NA
	<= $2.0MM	60	NA	NA

Cash-Out Refinance				
FICO	Loan Amount	DSCR >= 1.00	DSCR >= .75	No Ratio DSCR
740	<= $1.0MM	75	70	65
	<= $1.5MM	70	65	60
	<= $2.0MM	60	60	60
720	<= $1.0MM	75	70	60
	<= $1.5MM	70	65	60
	<= $2.0MM	60	NA	NA
700	<= $1.0MM	70	65	60
	<= $1.5MM	70	65	60
	<= $2.0MM	60	NA	NA
680	<= $1.0MM	65	60	60
	<= $1.5MM	60	NA	NA
	<= $2.0MM	NA	NA	NA
660	<= $1.0MM	65	60	60
	<= $1.5MM	60	NA	NA
	<= $2.0MM	NA	NA	NA

Borrower Eligibility

Eligible Borrowers

- U.S. Citizens
- Permanent Resident Aliens
- Non-permanent Resident Aliens (not allowed on DSCR program)
- First-time Homebuyers
- Non-Occupant Co-Borrowers
- Inter Vivos Revocable Trust (Must meet FNMA requirements)

Permanent Resident Alien

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing

Acceptable evidence of lawful permanent residency must be documented and meet one of the following criteria:

- I-151–Permanent Resident Card (Green Card) that does not have an expiration date
- I-551–Permanent Resident Card (Green Card) issued for 10 years that has not expired
- I-551–Conditional Permanent Resident Card (Green Card) issued fortwo (2) years that has an expiration date, if it is accompanied by a copy of USCIS form I-751 requesting removal of the conditions
- Un-expired Foreign Passport with an un-expired stamp reading as follows: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yy. Employment Authorized."

Non-Permanent Resident Aliens (not allowed on DSCR program)

- The following Visa classifications are allowed as Non-Permanent Resident Aliens:
  - E-1, E-2, E-3
  - EB-5
  - G-1 through G-5
  - H-1B
  - L-1
  - NATO
  - O-1
  - R-1
  - TN (NAFTA) R-1
- 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-94 form (Arrival / Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing
- A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower's current employer. If the visa will expire within six (6) months of loan application, 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 visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-Borrowers only. A valid EAD must be provided to use income for qualification

- Borrowers who are residents of countries which participate in the Department of Homeland Security'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: https://www.dhs.gov/visa-waiver-program-requirements
- Maximum 80% LTV / CLTV
- Purchase and Rate / Term Refinances only

First Time Home Buyers

First Time Home Buyers ("FTHB") are individuals that have not owned a home or had a residential mortgage in the last three (3) years. The following are required for FTHB:

- Maximum payment shock of 250%
- Rent Free FTHB are unable to meet Payment Shock requirements, they are permitted with no credit exceptions. Housing History requirements pertaining to rent free borrowers identified in the Credit Eligibility section of this guide must be followed
- Please refer to the respective FCM Program Summary for additional FTHB restrictions

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/CLTV of 80% or limited as posted on applicable FCM 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

Limited Partnership (LP), General Partnership (GP), Corporations (Corp), and Limited Liability Companies (LLC)

- FCM does not currently allow vesting or closing in the name of a business entity

Ineligible Borrowers

- Foreign Nationals
- Non-Permanent Resident Aliens on DSCR program only
- ITIN
- Irrevocable or Blind Trusts
- Land Trusts
- Borrowers with diplomatic immunity
- DACA & asylum applicants
- Self-employed Borrower deriving their income from any Cannabis related business
- Borrowers(s) with residence of any country not permitted to conduct business with U.S. Companies as determined by U.S. government authority

Eligible Occupancy

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

Primary Residence

- A primary residence is a property that the Borrower(s) currently resides in (refinance) or intends to occupy, within sixty (60) days, as the Borrower(s) principal residence
- 3–4 Unit properties are eligible as primary residencies provided, they are common for the area and exhibit no unique characteristics that can influence marketability
- Characteristics that may indicate that a property is used as a Borrower's primary residence include:
  - Occupancy by the Borrower for the major portion of the year
  - Location is relatively convenient to the Borrower's principal place of employment
  - Property is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar matters
  - Borrower may not own an additional single-family residence of equal or greater value than subject property
  - Property possesses physical characteristics that accommodate the Borrower's family

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
  - Rural Properties
    - Rural properties are permitted
    - Subtract 5% LTV/CLTV from respective program matrix for Rural/ Max 75% LTV/CLTV
  - Gift Funds
    - Gift funds not permitted on Second Homes>80%LTV/CLTV

Investment/Non-Owner Occupied

- Business Purpose Loan- All Borrower(s) must execute the Business Purpose and Occupancy Affidavit
- All Borrower(s) must execute the Occupancy Certification
- Loan must close in the Borrower(s) name. Loans closing in the name of a business entity are not permitted
- Rural Properties are not permitted
- Gift funds are not permitted on Non-Owner-Occupied loans > 80% LTV/CLTV

Assets

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
- If needed to close, verification that funds have been liquidated (if applicable) is required Follow FNMA guides on liquidation when used for the down payment or closing costs and when they are used for reserves.
- Gift of Equity is not allowed
- Builder profits are not allowed
- Maximum Interested Party Contributions permitted up to 6%
- Rent credits not permitted
- LOE required for large deposits, as defined by Fannie Mae For DSCR, deposits should be in line and consistent with the borrowers overall credit and business profile. If questionable, an LOE should be provided; If LOE is sufficient, sourcing may not be required.

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 50% 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 borrower 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/CLTV
- Gift funds are acceptable as 100% down payment for loans <75% LTV/CLTV

- Gift funds are acceptable for loans >=75% LTV/CLTV; 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/CLTV is going to be 75% or higher would require the borrower to have a $25,000 of their own funds provided ($500,000 x .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 accounts/access letters

- Allowable with relationship letter. If the loan is a bank statement loan or12-monthP&L loan, non-borrowing joint accountholder affidavit is required to ensure no deposits by that non-Borrower is included as income

Restricted Stock

- Restricted stock is ineligible for 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)
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- See FCM Solutions Program Summary for specific reserve requirements
- Cash-Out proceeds can be utilized for reserves on loans

Eligibility

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 than12months, 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 or (2) a closed end mortgagor HELOC mortgage not having any draws greater than $2,000 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 greater of $5,000 or 2% of the principal amount of the new mortgage to be considered a Rate/Term refinance
- The LTV/CLTV 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 greater of $2,000 or 1% 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 loan application date are subject to incremental Early Payoff ("EPO") protection
- Incremental Early Payoff (EPO) protection will not be required if the subject is an investment property and the borrower can provide an executed twelve (12) month lease from the tenant and evidence of payment for some combination of monies received (1st, last and security)
- 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/ CLTV 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/CLTV 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 / CLTV 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 application date. For DSCR Cash-out seasoning and guidance, please refer to DSCR section
- Properties listed for sale by the Borrower within the last twelve (12) months are not eligible
- If the property is owned less than twelve (12) months but greater than six (6) months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus documented improvements, 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
- Refinancing of a Land Contract is considered a purchase and LTV/CLTV should be calculated using purchase price
- Please note: Cash-out includes funds received AT closing as cash back and any applicable debts paid off outside the original non-purchase money transaction.

Continuity of Obligation

- Continuity of obligation occurs on a refinance transaction when at least one of the Borrower(s) (or members of the LLC) on the existing mortgage is also a Borrower/LLC on the new refinance transaction secured by the subject property
- When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:
    - At least one Borrower on the refinance mortgage held title for the most recent six (6) month period and the mortgage file contains documentation evidencing that the Borrower/LLC has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six (6) month period
    - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership. 6 months cash-out and rate/term seasoning not applicable in these cases.
    - Title resolution prior to closing of subject loan (preferable prior to application)

Flip Transactions

- When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the transaction is considered a “flip”. To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used
- Flip transactions are subject to the following requirements:
    - All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction

  - No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan
  - The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering(documented) or developer marketing
  - No assignments of the contract to another buyer
  - If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the Borrower must be obtained
  - An additional appraisal product is required. Third Party Appraisal Review Process for more information
  - Flip transactions must comply with the HPML appraisal rules in Regulation Z
- A second appraisal is required, prior to closing, in the following circumstances:
  - Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days
  - Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days
  - The Borrower may not pay for the 2nd appraisal

Delayed Financing

- Delayed purchase financing is available when a property was purchased by a Borrower using cash, within one hundred eight days (180) of the loan application
  - 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/CLTV for the transaction will be based on the purchase price
  - 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
- Builder Bailout & Model Leasebacks
- Conversion Loans
- Rent Credits
- Non-Arm's Length
- Lease Option
- Greater than 30-year terms
- Mobile to Land Loans
- Interest Only
- Balloon Payments
- Negative Amortization

- Texas Cash-Out 50(a)(6)

Credit Eligibility

Credit Report Detail

- A tri-merged in file credit report from all three repositories is required (no more than 90 days old at the note date)
- A written explanation for all inquiries within ninety (90) days of application is required disclosing no new debt
- Alternate confirmation that there is no new debt may include a new credit report, pre-close credit score soft-pull or gap report
    - DTI should be recalculated based on any new debt
    - Any new credit scores must be reviewed for qualifications

Credit Scores

- For Non-DSCR programs, To determine the Representative Credit Score, select the middle score when three (3) agency scores are provided and the lower score when only two (2) agency scores are provided
- Representative Credit Score of the Primary Wage Earner is used to qualify
    - In the event there are multiple Borrowers that earn identical income, the Representative Credit Score will be the lower score of the applicants

    For DSCR: In cases of equal ownership, use the lower of the two scores

    - Use Highest percentage ownership score for qualifying, even if lower. Highest percentage owner must have a valid score from at least two (2) of the following three (3) agencies: Experian, Trans Union and Equifax
- In the event where ownership % of additional borrower is unknown, the lower score must be used for qualifying
- In the event there are multiple Borrowers that earn identical income, the Representative Credit Score will be the lower score of the applicants
- Primary Wage Earner must have a valid score from at least two (2) of the following three (3) agencies: Experian, Trans Union, and Equifax
- Credit rescores are not allowed except in the event of a disputed item or valid error. Documentation must be provided to support the reason that a credit rescore was performed

Credit Report Requirements

Tradelines

- Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) tradelines
- Tradeline activity is not required, can be opened or closed. Eligible tradelines cannot have any derogatory history in previous twenty-four (24) months. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts
- Current housing not reporting on credit can be considered an open trade if supported by bank records (cancelled checks /debits)

- Borrower(s) not using income to qualify are not required to meet the minimum tradeline requirements listed above
- This does not pertain to DSCR loans, where the borrower(s) or guarantor(s) must adhere the tradeline requirements above
- Authorized user accounts must be used to calculate DTI ratio but will not be included in the number of tradelines.

Credit Events

- Prior Bankruptcies (Chapter 7, 11, 13) are permitted based upon respective FCM Program Summary. Multiple bankruptcies are not permitted
- Prior Foreclosure, Short Sale, Deed-in-Lieu, and Modification (due to default), Notice of Default, Lis Pendens, and 120+days delinquency is permitted based upon respective FCM Program Summary

- Borrowers currently enrolled in credit counseling or debt management plans are not permitted
- All Judgments or liens affecting title must be paid
- Non-title charge-offs and collections within three (3) years and exceeding $5000 (individually or aggregate) must be paid
- Medical collections less than $15,000 are not required to be paid
- All past due accounts must be brought current prior to closing
- Disputed accounts may require a LOE
- IRS tax payment plans approved by the IRS are permitted if current and do not carry a lien on any property All Borrowers must be current on mortgage or rent at loan application
- All derogatory revolving and installment accounts >sixty (60) days within four (4) years of closing require a full explanation
- Delinquent credit belonging to ex-spouse can be excluded if late payments occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse
- Security freeze–Credit reports may not contain a security freeze and should be resolved prior to an underwriting decision. Unfrozen reports after the date of the original credit report require a new tri-merged report
- Defaulted timeshares–Timeshares including delinquencies are treated as installment loans and not a housing event

Housing History

- Twelve (12) months housing history is required. Twelve (12) month mortgage/housing history includes all occupancy types–Primary, Second Home, and Investment Properties
- For DSCR, a credit report or VOM/VOR is required on the subject property (if a refinance) and the borrower's primary residence only
- All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current
    - This includes loans qualifying through DSCR even if the account showing the delinquency is not the subject or primary residence

- Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits, or institutional VOR
    - Private Party VORs / VOMs may be considered on a case-by-case basis.
- LOE or rent-free letter is required when twelve (12) month housing history is not applicable
    - If the borrower is a FTHB, rent-free is permitted with no credit exceptions
- Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity

Income Documentation

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)
- Borrower(s) qualifying with 1099s must provide two (2) years 1099s
    - 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)
- 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 stubs (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of (30) days)

- IRS 1040s are recommended when using other sources of income to qualify i.e., interest dividends, capital gains, note receivable, trust income etc.
- 4506-C W2 transcripts or 4506-C 1099 transcripts (If 1040 transcripts are provided, W2/1099 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

- 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.
- Two (2) years personal & business tax returns (along with all schedules and K-1's) and YTD P&L from any businesses being used for qualification where the Borrower has 25% or more ownership interest
- 4506-C 1040 tax 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 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
- Independent verification of the business through a third party such as a CPA, regulatory 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
- 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

Bank Statements

- Bank Statement loans submitted with tax returns or tax transcripts must follow Full Documentation guidelines

- Any loan file using qualifying income from Bank Statements with evidence of tax returns or tax transcripts is ineligible
- Borrowers paid 1099 from a single company are not eligible for Bank Statement qualification and must qualify through Ful Documentation
- Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement option

Documentation Requirements

- Twelve (12) or twenty-four (24) months consecutive, bank statements required
- Loans with less than twelve (12) months of consecutive bank statements is not eligible
- Business Narrative (see Self-Employed Business Narrative Form for eligible parties able to complete this form)
    - Business narrative must include details relating to the size/score and operating profile of the business, including the following:
        - Description of Business / Business Profile
        - Location and Associated Rent
        - Number of Employees / Contractors
        - Estimated Cost of Goods Sold if any
        - Materials / Trucks / Equipment
        - Commercial or Retail Client Base
    - An internet search of the business is required with documentation to be included in the credit file to support the Business Narrative. Underwriter certification (or notation on the 1008) if there are not returns when attempting an internet search
    - Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing
- Multiple bank accounts may be used
- Co-mingling:
    - Co-mingling of personal and business accounts is not permitted in personal bank accounts. Evidence of comingling will require the loan to be submitted/qualified as a business bank statement loan
    - Two (2) months of business bank statements must be provided to validate Borrower utilizes separate banking accounts
    - Bank statements must be most recent available at time of application and must be consecutive

Personal Bank Statements

Documentation Analysis

- Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
- Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
- Two (2) months of business bank statements are required. These statements should evidence activity to support business operations and reflect transfers to the personal account

  - A borrower who only utilizes a personal account for business activity and does not have an associated business account is eligible to qualify through Business Bank Statements section below
  - Co-mingling of personal and business receipts is not permitted
- If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower
- Declining Income may require an LOE

Business Requirements

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must not be less 25% and documented via CPA letter, Operating Agreement, or equivalent
- Borrowers who own more than three (3) businesses must use personal bank statements option

Qualifying Income

- For personal bank statement documentation, it is the lower of the following:
  - Personal bank statement average (total eligible deposits / 12 or 24 months)
  - If a Borrower has declining income and is qualifying with twenty-four (24) months of bank statements, the last twelve (12) months of income will be utilized to qualify
  - Monthly income disclosed on the initial signed 1003

Business Bank Statements

Documentation Analysis:

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
- Large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
- Declining Income may require an LOE
- NSFs may require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of 3 NSF occurrences within a twelve-month period are allowed. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve-month period are acceptable. NSFs should be covered with deposits shortly after they are incurred.
- Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring

Business Requirements:

- Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- Minimum 50% business ownership required
- Borrowers utilizing business bank statements that own > 50% but < 100% of a business will be qualified at the net income multiplied by their ownership percentage

Business Bank Statement Income Qualification (3 options):

1. **Expense Ratio**
   - Percentage of gross deposits (twelve (12) or twenty-four (24 months)) using expense ratio factor based on business type and number of employees
   - Qualifying income will be the lower of the Expense Ratio formula or monthly income disclosed on the initial signed 1003
   - Expense ratio should be reasonable for the profession
   - Qualifying income should be multiplied by the Borrowers documented business ownership
   - If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
   - Example: Borrower with $25,000 monthly average deposits multiplied by a 50% expense factor = $12.5k in qualifying income

	Employees		
Service Business ***(offers services)***	**0**	**1-5**	**>5**
Examples of Service Business: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product Business ***(sells goods)***	**0**	**1-5**	**>5**
Examples of Product Business: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor

2. **3rd Party Profit & Loss Statement**
   - Qualifying income is the lower of the Profit & Loss ("P&L") net income from the validated third-party prepared P&L or monthly income disclosed on the initial signed 1003
   - Businesses qualifying with a P&L statement showing less than a 15% expense ratio will be limited to a 15% ratio. Expense ratio should be reasonable for the profession
   - Borrower prepared P&L will not be permitted under any circumstances
   - Business Bank Statements are used to validate third-party prepared P&L. Gross revenue listed on P&L must be within +/-10% of the total qualified deposits
   - If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
   - Following documentation is required:
     - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)
     - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
     - P&L statement must be prepared by a Tax Professional
       - Tax Professional defined as a Certified Public Accountant ("CPA"), Tax Attorney, Enrolled Agent ("EA"), California Tax Educational Council member ("CTEC") or Paid Tax Professional (PTIN)
     - P&L statement must cover the same months as the bank statements submitted

- P&L must be signed by the Borrower and the Tax Professional
- Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
- Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business
- Tax Professional must have filed the Borrower's most recent two (2) years business tax returns

3. **3rd Party Expense Ratio**
   - Qualifying income is the lower of the 3rd Party Prepared Expense Ratio net income or monthly income disclosed on the initial 1003
   - To determine net income, multiple eligible business deposits by the following: (100% minus the Expense Ratio)/ 12 or 24 months)
   - 3rd Party Prepared Expense Ratio floored at 15%
   - If a Borrower has declining income and is qualifying with twenty-four (24) months of business bank statements, the last twelve (12) months of income will be utilized to qualify
   - The Expense Statement must be prepared and signed by a third-party Tax Professional specifying business expense as a percentage of the gross annual sales/revenue
   - Self-employed Borrowers who have filed their own business tax returns are ineligible
   - Following documentation is required:
     - Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)
     - Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification
     - Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower
     - Tax Professional must certify that the Expense Statement represents an accurate summary of the applicable cash expenses of the business
     - Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business
     - Tax Professional must have filed the Borrower's most recent two (2) years business tax returns
     - Tax Professional license must be verified and signed

Supplemental Income Sources

- Joint Accounts – A joint personal account with a non-borrowing spouse or domestic partner can be used for qualifying as follows:
  - If not contributing income / deposits, it must be validated by a Borrower affidavit
  - If contributing income / deposits, source must be clearly identified (direct deposit, SSI, trust income) and amounts must be subtracted from the analysis
  - Relationship letter must be present in file
- Component Sources of Income – A Borrower who has a self-employed business and receives income from other sources is eligible for the bank statement program. Income sources include but are not limited to rental properties, trust & investment, alimony, etc. These income sources must be separately documented on the 1003 and must be separately supported by bank statement deposits

Rental Income

- Reported on tax returns:
  - Must document proof of 100% ownership
  - Schedule E net income should be used (FNMA)
    - Schedule E net income should only be utilized for loans using tax returns to qualify
    - Loans qualifying without tax returns should document rents through the below, "Not reported on tax returns"
- Not reported on tax returns
  - Must document proof of 100% ownership
  - Refinance Transaction: Lease agreement if Refinance transaction
    - Lease agreements and two (2) months cancelled checks to show proof of rental payments, 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)
    - Evidence that rent is market rate (free online source is permitted)
    - 75% utilized for qualifying income
    - If existing lease from seller is transferring to borrower, the lease that predates the mortgage could have a superior claim to the mortgage. The seller is responsible for ensuring clear title and first lien enforceability.
  - Purchase transactions
  - Rental income identified on the 1007 rental schedule for Purchase transactions
    - 75% utilized for qualifying income
- Short Term / Variable Rental Income (if STR reported on tax returns, follow Reported on tax returns guidelines)
-
  - Airbnb – AirDNA - VRBO – HomeAway – Acceptable with twelve (12) months evidence of receipt via Service Provider payment receipt history or bank statement deposits X 80%
  - 75% of market rent will be used as income if it is supported by the twelve (12) month average (for purchase transactions)
  - For new construction Short Term Rental Income must be deemed common & typical for the area per the appraisal and/or property location
  - Requires property ownership report and proof of property listing on Website
  - Not permitted on primary residence SFRs
  - Must be permitted in accordance with local ordinances

Trust Income

- Income from trusts may be used if constant payments will continue for at least the first three (3) years (or 5) of the mortgage term as evidenced by trust income documentation. 5 years required if income source is >50% of loans total qualifying income
- See section on Ancillary Income for limits on adjusting current distributions and continuance.
- Trust Agreement required confirming amount, distribution frequency, and duration of payments

Alimony Income/Child Support

- Final Divorce decree or legal separation agreement required
- Must provide payment evidence of six (6) months via cancelled checks, deposit slips, or bank records

Note Receivable Income

- Copy of the note confirming among and length of payment
- Must provide payment evidence of twelve (12) months via cancelled checks, deposit slips, or bank records

Royalty Payment Income

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income – must document a three (3) year continuance
- Must provide payment evidence of twelve (12) months via cancelled checks or bank records / deposits

Retirement Income

- The following types of income documentation is required:
  - Copy of award letter or letters from the organizations providing the income; AND
  - Most recent two (2) months bank statements showing deposit of funds

Self Employed/Wage Earner Combination

- Joint Borrowers with one (1) wage earner and one (1) self-employed business owner can verify income separately, with the self-employed Borrower utilizing bank statements or 12 Month Profit & Loss "(P&L") and the wage earner providing pay stubs / W-2s or WVOE
  - The wage earner 4506-C should include W-2 transcripts only
  - Combination scenario must be qualified and priced to the income verification with the highest loan level pricing adjustments ("LLPAs")

Additional Employment & Income

Work History

- A minimum of six (6) months of employment is required unless recently graduated from school or completion of formal training

Employment Gaps

- Borrower should explain any employment gaps exceeding thirty (30) days in the last twelve (12) months and sixty (60) days in the last thirteen to twenty-four (13-24) months

Recently Transitioned W-2 to 1099

- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require two (2) years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e., contract
- Borrowers who remained in the same industry, but transitioned from W2 to 1099 with a different company must be in current position for at least one (1) year

Ancillary Non-Employment Income- Continuance

- Borrowers of retirement age do not require proof of continuance if income received from corporate, government or military retirement or pension
- Alimony, child support requires proof of three (3) or five (5) year continuance (5 years if income source is > 50% of loans total qualifying income).
- IRA / Discretionary Retirement Account Distributions / Trust Distribution – Continuance

- IRA or Trust distributions cannot be set up post application date unless the Borrower is required to start withdrawing based on age. In such cases, 125% of the required minimum amount can be used to qualify
- Distributions must have been received for prior six (6) months to application to be considered as eligible income. Distributions that have been received for six (6) months or more can be adjusted with a letter from the plan administrator validating the increase. Allowable increases of distribution amount are limited to 125% of previously received distributions. Continuance for 5 years at the proposed monthly amount is required if distributions represent 50% of the loans total qualifying income (please note this overlay to Fannie Mae). Please refer to Asset Utilization for Borrowers wishing to draw assets to qualify
- One of the following types of income documentation is required:
  - Copy of award letter or letters from the organizations providing the income
  - Most recent personal income tax return with all schedules
  - Most recent W2 or 1099
  - Most recent two (2) months bank statements showing deposit of funds

Restricted Stock (RSU's)

- FCM will only consider restricted stock that was awarded in prior two (2) years and became unrestricted (vested) in the current year. The Vesting Schedule must indicate the income will continue for a minimum of three (3) years at a similar level to the prior two (2) years. Continuance is based on the vesting schedule using a stock price based on the 52- week low for the most recent twelve (12) months reporting at the time of closing. A two (2) year average of prior income received the RSU's, or stock option will be used
- The following documentation is required:
  - copy of the vesting schedule
  - most recent W2
  - pay stub
- Stock must be public and listed on major stock exchange

Averaging of bonus / commission, 2 years

- A two (2) year average is required exceptions can be considered with one-year minimum, history of receipt is required and must be likely to continue. Employer to document likelihood of continuance.

Secondary Employment

- Second job income considered stable if received for two (2) years and likely to continue. Must be working both jobs simultaneously, for consideration

Foreign Sources of Income

- Foreign income is income earned by a Borrower employed by a foreign government/company and not paid in US dollars. Acceptable utilization if the following criteria is satisfied:
  - Two (2) years US Tax returns reflect the foreign income
  - Income is translated to US dollars
  - Income documentation, stability and continuance requirements are met
  - Income from countries under OFAC sanctions not permissible

Grossing up Non-Taxable Income

- Non-taxable income to be grossed up 125%

Two-year Business Validation- Name Change/Re-organization

- Considered continuous if business name changes within last two (2) years or restructure (i.e., from sole proprietor to LLC, S-Corp, etc.). Not applicable for DSCR program

Liabilities

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
- Borrower qualifying with a departing residence may be subject to additional Early Payoff ("EPO") protection. Additional Early Payoff (EPO) protection will not be required in the following cases:
  - 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 contact 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 mad 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

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 appraisals are acceptable, unless ordered by Borrower
- Two appraisals are required to be delivered for either of the following scenarios: loan amounts > $1,500,000 or HPML flip transactions as defined by the CFPB. Interior photos are required
- Appraisals are good for one hundred twenty (120) days. Any appraisal seasoned greater than one hundred twenty (120) days will require a recertification of value completed by the original licensed appraiser. A recertification of value will be permitted up to one hundred eight (180) days
- 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

- A completed third-party review validating the original appraisal is required through Clear Capital - Collateral Desktop Analysis "CDA"
- The Vendor Appraisal Review final opinion of value must be within -10% of the origination appraisal(s)
    - LTVs > 85% must be within 5%
- Collateral Underwriter (CU) may be used as a secondary valuation if the score is <=2.5. File must include a copy of the Submission Summary Report
- Desk review is not required for loans with two (2) appraisals

FEMA Disaster Areas

- Appraisal Completed Prior to Disaster
    - Interior and exterior inspection of the subject property is required
    - Damage impacting the safety or habitability of the property or damage in excess of $2000 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 $2000 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 $2000 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)
- 2-4 Unit Properties
- Planned Unit Development (PUD- Attached/Detached)
- Townhouses
- Leasehold Properties
- Maximum Acreage
  - 10- Pro/Plus
  - 5- DSCR
- Warrantable Condo Full Review Required
  - FNMA approved- Project Warranty Certification and Condo Questionnaire required
- Non-Warrantable Condo Full Review Required
  - Projects consisting of detached (site) units will not require a project review and are eligible for single family dwelling LTV/CLTV. Two-to-four-unit condominium projects will not require a project review provided the following are met:
    - The priority of common expense assessments applies
    - The standard insurance requirements apply
    - Submissions must include:
      - Condominium Project Questionnaire
      - Project current annual budget
      - Current balance sheet (dated within 60 days of review request)
      - Established project certification
      - Documented HO6 insurance coverage
      - Must meet FNMA Presale Ratio Requirements
    - Restrictions to Non-Warrantable Condos include:
      - 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
      - Borrower must carry HO-6 coverage covering the replacement of items inside the unit
      - 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 will be considered on a case-by-case basis
- HOA reserves must demonstrate a minimum of 10%. No exceptions will be considered on this
- Projects involved in litigation are acceptable if 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

- Single Family properties with ADU (Accessory Dwelling Unit)
- Cooperatives (CO-OP's)
- Manufactured Homes
- Residential units with >= 5 units
- Log Homes
    - Faux Log Homes (properties with a Log Cabin aesthetic, IE Log Cabin siding) may be eligible as determined by FCM
- Condotels
- Condominium projects with registration services or restrictions on owner's ability to occupy
- Unique Properties
- Mixed Use Properties
- Builder Model Leaseback
- Boarding Houses
- 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 ADU acceptable, limited to one)
- 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

- **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 FCM Solutions NQM pricing is better than agency and is more beneficial to the consumer
  - Documentation Options:
    - Complete FCM 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 ninety (90) days prior to the note date.

Guideline Exceptions

- Exceptions to FCM Solutions NQM guidelines will be considered on a loan-by-loan basis. Loans with exception requests should exhibit strong documented compensating factors
- 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 FCM 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 is limited to twenty (20) residential properties
- Maximum FCM exposure to single Borrower: $7.5mm in unpaid principal balance or ten (10) properties
- Borrower(s) will be required to document an additional two (2) months of reserves for each additional financed property (excludes DSCR Loans)
  - The two (2) months additional reserves are based on the PITIA/ITIA of the respective financed properties subject to a maximum of twelve (12) months reserves for all financed properties (excluding Subject property)
- Borrower(s) will be subject to the Subject Property reserve requirements in addition to financed property reserve requirements (excludes DSCR Loans)

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	$1500
2	$2500
Add $150 for additional family members	

General Information

Adjustable-Rate Criteria

- FCM offers 7/6 and 10/6 ARMS on Pro, Plus, and DSCR
- 30-Day Average SOFR/ Reset Period 6 months
- Caps: 5/1/5
- ARM Floor = Margin
  - PRO: 4%
  - Plus: 4.5%
  - DSCR: 5%

Cash-Out Limits

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

Debt to Income ("DTI")

- Max DTI permitted: 50%
- DTI > 50% allowable in FCM Solutions Pro only with the following requirements:
  - Minimum 700 FICO
  - Max 80% LTV/CLTV
  - Primary residence only
  - No FTHB
  - 1.5x minimum residual income as defined in Section 13.3
- Please refer to FCM Solutions Summary for DTI limits by program

Derogatory Housing History

- Please refer to FCM's Program Summary for housing history requirements and derogatory housing event seasoning
- Derogatory Housing Events:
  - FCM defines Housing Events as Foreclosures, Short Sale, Deed in Lieu, Default Modification, 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

- Escrows for taxes and insurance will be required for all HPML loans
- Split Escrow not allowed
- Escrows may be waived on non-HPML loans

Escrow Holdbacks

- Escrow Holdbacks are not allowed, no exceptions

Geography

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

Minimum Loan Amount

- FCM Solutions Pro/Plus: $150K
- FCM 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
- FCM 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

Reserves

- Please refer to FCM Solutions Summary for reserve requirements
- Reserves are calculated off actual P&I payment plus taxes, insurance and HOA fees (PITIA)
- FCM Solutions Pro/Plus: Additional reserves are required for Borrower(s) with additional financed properties other than the Subject property. FCM Solutions DSCR does not require reserves for additional financed properties, Subject property only)
  - Borrower(s) will be required to document an additional two (2) months of reserves for each additional financed property. The two (2) months additional reserves are based on the PITIA/ITIA of the respective financed properties subject to a maximum of twelve (12) months reserves for all financed properties (excluding Subject property)

    - Borrower(s) will be subject to the Subject Property reserve requirements in addition to financed property reserve requirements
        - (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
- Reserves must be documented as outlined in the Assets Section of this guide
- Cash Out proceeds may be used in reserve calculation

Compliance

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)

Assumability

- Fixed rate loans are 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

- FCM 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 and expiration date, initial URLA is signed by the Borrower executing the POA
- Not permitted on Cash-Out Transactions

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	$1500
2	$2500
Add $150 for additional family members	

COVID-19 Addendum

Borrowers who obtained mortgage forbearance after March 1, 2020, may be eligible depending on payment history after the expiration of the forbearance plan

Requirements/Eligibility

- Borrower who has requested forbearance across either mortgage or consumer debt since March 1st, 2020, must provide a LOE explaining the reason for forbearance and payment history
- Borrower must not be in an active forbearance plan (must have "opted out" or the plan must have "expired") across either mortgage or consumer debt
- Borrower may have missed at most six payments (D180). Borrowers who rolled >D180 during an initial forbearance plan or subsequent period will not be eligible unless they meet the respective program's Derogatory Housing Event seasoning
- Borrower who received a Rate Modification, Principal Forgiveness Modification, or any modification besides the extension of Term to match the missed forbearance payments will be considered a Derogatory Housing Event and subject to Derogatory Housing Event requirements in this guide
- In the event that a Borrower was terminated or furloughed from work for a period of not more than six (6) months, FCM is requiring Borrowers be employed for at least sixty (60) days with income consistent to previous earnings prior to be terminated
- Under the CARES Act, PPP loan terms allow deferred payments for a specified period. No payments would be expected to be included in the Borrower's liabilities at this time. Once and if it has been determined that any portion of the PPP loan must be repaid, follow requirements for loans paid by a business

Never Delinquent

- Borrower who obtained mortgage forbearance after March 1st, 2020, but nonetheless made all their payments and stayed current (MBA methodology) throughout the forbearance plan will not have any restrictions regarding qualifying
- Borrower who "opted out" of their mortgage forbearance plan without missing any payments (stayed current per MBA methodology) will not have any restrictions

Reinstatement

- Borrower who fully reinstated (made all previous past due payments) upon expiration of forbearance plan will be eligible without restrictions

Repayment Plan

- Borrower in a repayment plan must be performing under the agreement or have completed the agreement and have made at least four (4) consecutive payments

Payment Deferral

- Borrower who received a payment deferral must be performing under the agreement and made at least four (4) consecutive payments

Term Modification

- Borrower who received a Term Modification for the length of the forbearance period will be eligible after they have made four (4) consecutive payments. Term modifications in excess of the initial forbearance period will be considered a Derogatory Housing Event and subject to the respective program's Derogatory Housing Event seasoning

Debt Service Coverage Ratio (DSCR) Program

Non-Owner-Occupied Business Purpose Investment Only

DSCR Calculation

- A Debt Service Coverage Ratio (DSCR) ratio is required. DSCR = Gross Rental Income/ PITIA
- 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. Three (3) most recent, consecutive months should be provided
- Short Term Rental Income/AirBnB Air DNA – VRBO – HomeAway Income will be eligible for the DSCR Program
  - Max 70% CLTV & Minimum 1.00 x DSCR
  - Permitted for both purchase and refinance transactions For New construction Short Term Rental income must be deemed common & typical for the area per the appraisal and/or property location.
  - Gross rent to be determined by the lower of the market rent disclosed on the appraisal or 12-month short term rental history (12 months required for Refinance Only)
  - Short term rental history to be verified from a third-party property management provider. Information must contain property address/ID specific to subject
- Vacant properties not eligible for Refinance except for properties currently vacant due to the subject property having undergone recent renovation or rehab, with the intention of being rented out soon. Support of this must be provided via the appraiser confirming recent work completed and providing visual evidence. In scenarios like this, market rent from the 1007 schedule in the property appraisal may be used to qualify
- Any loan where Cash Out proceeds would be utilized for personal use is not eligible for FCM's DSCR program

DSCR Reserve Requirements

- Reserves are calculated off actual P&I payment plus taxes, insurance, and HOA fees (PITIA)
- No requirement for additional reserves for other financed properties, Subject Property reserves only
- See FCM 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 no 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 year's 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**
    - FCM 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
    - FCM 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/Guarantee

- FCM does not allow loans to close in the name of a business entity; therefore, a DSCR Recourse/Guarantee is not required

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 12+ months using data 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
- 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 FCM's Program Summary for specific details regarding maximum LTV and Cash Out amounts