CHAMPIONS FUNDING

Ally

Consumer – No Ratio
(No Income & No Employment)

Underwriting Guidelines

Updated 6.18.24

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	LTV	FICO	Reserves
Purchase | Rate and Term	80%	720	12 Months
	75%	680	9 Months
	65%	660	9 Months
	LTV	**FICO**	**Reserves**
Cash Out Refinance	70%	740	9 Months
	65%	700	9 Months
	60%	660	9 Months

Maximum Loan Amounts

Purchase | Rate and Term	
LTV >75%	$1,500,000
LTV ≤ 75%	$2,000,000
Cash Out Refinance	
LTV ≤ 70%	$2,000,000

MAX LTV Condominiums

Purchase/Rate and Term	Cash Out Refinance
Condo Max LTV 75%	Condo Max LTV 70%

Additional Properties Owned Reserve Requirements

Each Additional Financed Property owned requires 2 months Additional PITIA for Subject Property OR each additional financed REO up to 12 months reserves.

Credit
0 x 30 Last 12 - Months - **For All Mortgages**
Consumer Lates in most recent 12 Months (LOE required. Compensating documentation may be required at underwriter discretion)
Foreclosure Seasoning - 7 Years
Short Sale/Deed in Lieu - 48 Months
BK Seasoning - 48 Months from Discharge Date

Additional Requirements

Appraisal	Loan Amounts ≥ $1,500,000 require 2 appraisals. Properties with condition rating of 5 or 6 are not acceptable. Desk review required for all loan files not requiring 2nd appraisal. Transferred appraisal acceptable. 2nd appraisal or Desk Appraisal must be ordered from Champions Approved AMC.
Acreage	Max 10 acres.
Assets	Sourced and Seasoned for 30 days
Citizenship	US Citizen, Permanent Resident Alien, Non-Permanent Resident Alien (With US Credit and acceptable VISA).
Compliance	See Guidelines for Escrow Requirements - Compliance with all applicable Federal and State regulations. No Section 32 or State High Cost.
Declining Market	If appraisal indicates property is located in a declining market: Purch | Rate & Term: 10% reduction to max LTV Cash-out: 15% reduction to max LTV Properties listed for sale within the most recent 3 months of subject loan application date, are ineligible for a Cash-Out Refinance.
Forbearance	If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have at least three (3) timely payments. FNMA requirements in regards to Forbearance reinstatement apply.
Max Financed Properties	Maximum 20 financed properties.
Occupancy	Primary Residence and Second Homes
Prepayment Penalty	Not Allowed
Ineligible States	Alaska, Alabama, Arkansas, Kansas, Louisianna, Massachusettes, Missouri, Mississippi, Nebraska, New Hampshire, New Mexico, New York, North Dakota, South Dakota, West Virginia, Wyoming **CDFI ineligible** DC, Maine, Maryland, Nevada, Pennsylvania, Washington **(these states do not honor CDFI exception)**
Property Types	SFR, PUD, Townhome, Condominium (Condos in Florida require a Full Cond Review), 2-4 Unit, Modular, Rural and Log Homes.
Qualifying Rate	Fixed = Note Rate. ARM = Greater of Note Rate or Fully Indexed Rate.
Reserves	Minimum reserves required per grid above, Gift funds may not be used for reserves. **Cash-out Fully Amortized Loan:** Borrower must have the first 4 months of PITIA reserves of their own eligible funds, not including the cash out proceeds available to the borrower; the loan proceeds disbursed to the borrower may be used to meet the remaining reserve requirement. For Adjustable Rate Mortgages (ARM), reserves are based upon the initial PITIA, not the qualifying payment.
State Specific Restrictions	**Colorado:** All loan files require the (1) Fully executed Colorado LO Reasonable Inquiry Attestation (2) HUD Counseling Certification from the CHAC. **Iowa:** Min Loan Amt: $125,000. **North Carolina:** Min Loan Amt: $300,000. **Texas:** Texas 50(a)(6) not permitted.
Subordinate Financing	Max 75% CLTV. Secondary financing must be institutional. Seller Carrybacks not permitted.
Seller Concessions	6% Max

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Loan Program Mission

Empowering the dreams of diverse homeowners and underserved communities by providing non-traditional access to prime capital for underbanked borrowers and communities.

Community Development Financial Institution (CDFI) Overview

CDFI Certification:

Notice of Certification dated November 9, 2017, Certification Number 171CE014596 issued by the U.S. Department of Treasury certifying Champions Funding, LLC as a CDFI as defined in 12 C.F.R. 1805.104.

CDFI Exemption:

Under Applicable Law, a loan originated by a CDFI is exempt from the Ability-to-Repay ("ATR") requirements set forth in Section 1411 of the Dodd-Frank Act and Regulation Z. So long as originator is certified as a CDFI when it originates the loan, the exemption to ATR is effective and unconditional.

Accordingly, the originator or purchaser of such loan shall not have any liability with respect to claims to legal actions brought by borrowers based on originators failure to comply with the ATR requirement.

Ally Residential Mortgage Program Overview

Ally Residential Mortgage focuses on underbanked and underserved borrowers and communities with a holistic approach to credit underwriting and loan origination focused on the Five C's of Credit Principles:

Character: Measures the borrower's reputation, record of accomplishment, and experience of repayment.

Collateral: Measures the lender's security for the loan.

Capital: Measures the borrower's equity contribution and level of seriousness

Capacity: Measures the borrower's capacity to repay the loan.

Conditions: Measures the terms of the loan versus the purpose of the loan.

Ally Residential Mortgage mortgages are well structured to help borrowers establish and enhance their credit to improve their access to prime financing and do not have predatory prepayment penalties or other consumer adverse terms or conditions.

Ally Residential Mortgage borrowers often need credit underwriters to consider compensating factors or alternative documentation due to limited or irrelevant quantitative underwriting factors to establish a reasonable expectation of repayment in the following areas:

Character & Credit History: Credit underwriting seeks to understand a borrower's character as part of the process. This can include reference letters, community activities, and reputation as well as credit history.

Income: Borrowers who meet the Ally Residential Mortgage eligibility requirements are not required to provide income documentation. Income is therefore not calculated nor stated on the loan application

(1008/1003) nor is a debt-to- income ratio calculated as part of the programs established reasonable expectation of repayment.

Loan Documentation: Credit underwriting will often use "common sense" approach and use alternative and compensating forms of documentation to evaluate a reasonable expectation of repayment.

Ally Residential Mortgage focuses on the following borrower populations:

- Low Income Individuals and Communities
- Underserved and/or underbanked borrowers due to ATR and Regulation Z requirements:
    - Limited Income History
    - Limited Credit History
    - Inadequate Income Documentation

Ally Residential Mortgage Loan Terms

Fully Amortizing:

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 7/6 Month SOFR: (5/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed

Amortization Period: 30 Year (Refer to program matrices for additional requirements)

Qualifying Rate (All Doc Types):

Fixed: Qualify borrower(s) at the Note Rate.

ARM:
5/6 Month ARM - Qualify borrower(s) at greater of the Fully Indexed Rate or Note Rate.
7/6 Month ARM & 10/6 Month ARM – qualify at the Note Rate.

Qualifying Payment: Qualifying Ratios are based on PITIA payment.

Prepayment Penalty:

None

Balloon Payment:

None

Impound Account:

Required

Minimum Loan Amount:

$100,000

Maximum Loan Amount:

$2,000,000

Ineligible States:

Alabama, Alaska, Arkansas, Kansas, Louisianna, Massachusettes, Missouri, Mississippi, Nebraska, New Hampshire, New Mexico, New York, North Dakota, Pennsylvania, South Dakota, West Virginia, Wyoming
CDFI ineligible states: The following states do not honor the CDFI exception: District of Columbia, Maryland, Maine, Nevada, Pennsylvania, Washington

State Specific Restrictions:

Colorado: All loan transactions require the following:

- Fully executed Colorado LO Reasonable Inquiry Attestation
- HUD Counseling Certification from the Colorado Housing Assistance Corporation

Iowa: Min Loan Amt: $125,000

North Carolina: Min Loan Amt: $300,000

Texas:

- Texas 50 (a)(6) not permitted

Program Eligibility

Eligible Transactions

Purchase:

- Maximum 80% LTV
- Condo 75% LTV

Rate & Term Refinance:

- Maximum 80% LTV
- Condo 75% LTV
- LTV to be based on lower of purchase price plus documented improvements or appraised value if property acquired less than 12 months ago.
- LTV to be based on appraised value if acquired 12 months or longer.
- If borrower acquired the property through inheritance of was legally awarded the property (divorce, separation) appraised value may be used.
- Borrower proceeds limited to the lesser of 2% of loan amount or $5,000 max cash in hand
- Any subordinate loan not used in the initial acquisition of the subject property is eligible for payoff should one of the following apply:
    - Closed end loan, at least 12 months seasoning has occurred

    OR:

    - HELOC, at least 12 months seasoned and total draws over the most recent 12 months are less than $2,000. HELOC must be closed.

Continuity of Obligation

- When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:
- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
    - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
    - Is related to the borrower on the mortgage being refinanced

- The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction
- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
    - Borrower must have been a beneficiary/creator (trust) or majority owner of the LLC or partnership prior to the transfer
    - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan
    - **NOTE:** Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement

Cash Out Refinance:

- Max LTV 70%
- Condo 70% LTV
- LTV to be based on lower of purchase price plus documented improvements or appraised value if property acquired less than 12 months ago.
- LTV to be based on appraised value if acquired 12 months or longer.
- If borrower acquired the property through inheritance of was legally awarded the property (divorce, separation) appraised value may be used.
- Borrower must have **4** months of reserves from their own funds. The remaining reserve requirement may be satisfied with the cash out proceeds.
- Cash Out Seasoning of less than 6 months is not permitted unless borrower acquired property through an inheritance or was legally awarded the property (divorce, separation).
    - If the property was owned by a partnership or LLC that is majority owned or controlled by the borrower(s), the time it was held by the partnership or LLC may be counted towards meeting the borrower's 6-month ownership requirement.

NOTE: Prior ownership in a corporation does not meet the cash out seasoning requirement

- If the property was owned by an inter vivos trust, the time held by the trust may be counted towards meeting the borrower's 6-month ownership requirement if the borrower is the primary beneficiary of the trust.

- Delayed Financing Loans not eligible for cash out:
    - A prior cash out transaction within the last 12 months, unless a documented benefit exists.
    - Seasoning is defined as the difference between prior financing note date or date of purchase and note date of the new loan.
    - Properties listed for sale within the past 3 months prior to application date

Delayed Financing

- Delayed Financing within 6 months of original purchase is allowed with the following restrictions:
    - The original purchase transaction was an arms-length transaction.
    - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
    - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
    - The preliminary title search or report must confirm that there are no existing liens on the subject property
    - The transaction is considered cash-out, cash-out pricing adjustors apply
    - The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

Secondary/Subordinate Financing:

Allowed up to 75% max CLTV.

- Secondary financing must be institutional. Seller-held subordinate liens are not permitted
- Existing secondary financing must be subordinated and recorded or refinanced, paid off, or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the lien of credit is past its draw period.

TILA High Priced Mortgage Loan:

Allowed, subject to TILA HPML requirements.

Borrower Eligibility:

Borrower Type	Requirements
U.S. Citizens:	Must have a valid Social Security Number.

Permanent Resident Aliens (Green Card): An individual legally authorized to reside and work in the United States indefinitely	An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.
	• Acceptable evidence of permanent residency includes the following:
	  ○ Alien Registration Receipt Card I-151 (referred to as a green card).
	  ○ Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
	  ○ Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to removeconditions).
	  ○ Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
	• Eligible without guideline restrictions.

	• A fully executed Certification of Resident Alien Status Form must be provided at time of submission.

Non-Permanent Resident Aliens: An individual employed in the United States but does not have a green card.	An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.
	• Legal Status Documentation
	  ○ Valid EAD OR Visa
	  ○ Eligible Visa types: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
	  ○ Ineligible EAD types: A02, A07-A08, A10-A14, C01, C03, C05-C08, C10-C12, C14, C16-C20, C22, C24, C31, C33
	  ○ If Visa status will expire within one year and prior history of residency status renewal exists, no further documentation is required. If Visa expires within six (6) months of note date, evidence of renewal filing must be provided OR documentation from current employer supporting likelihood or renewal.
	  ○ If EAD expires within six(6)months provide evidence of renewal

Max Number of Borrowers Allowed	4 Borrowers. Greater than 4 borrowers considered on a case-by-case basis.
Ineligible Borrowers	• Non-Occupant borrowers/co-borrowers • Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings • Diplomats, Diplomatic Immunity • Applicants with temporary protected status (including DACA, Asylum) • Irrevocable Trusts • Land Trusts • Limited or general partnerships (LLC) • Corporations, S Corporations • ITIN Borrowers

Property Eligibility:

Eligible Properties:

- Primary Residences
- Second Homes
    - Must be occupied by the borrower some portion of the year
    - Must be located a reasonable distance from the borrower's current residence
    - Restricted to one-unit dwellings
    - The borrower must have exclusive control over the property
    - Must not be a rental property or a timeshare agreement.

- 1-4 Unit Residential Properties
- Condominiums
    - Fannie Mae warrantable

- Florida Condos require a Full Condo Review

- Agriculturally/Rural Zoned Properties
  - Working farms, ranches, or orchards are ineligible.
  - Acreage limited to 10 acres max

- Mixed-Use Properties
  - The property must be a 1-unit dwelling the borrower occupies as a primary residence
  - The borrower must be both the owner and the operator of the business
  - The property must be primarily residential in nature
  - The dwelling may not be modified in a manner that has an adverse impact on its marketability
  - The appraisal must:
    - Provide a detailed description of the mixed-use characteristics of the subject property.
    - Indicate the mixed use of the property is legal, permissible use of the property under local zoning requirements.
    - Report any adverse impact on marketability and market resistance to the commercial use of the property; and
    - Report the market value based on its residential characteristics only
    - No more than 35% of a condo project or of the building in which the project is located be commercial space allocated to mixed-use. This includes commercial space that is above and below grade.

Ineligible Properties

- Investment Properties
- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties including farms, ranches, orchards
- Manufactured, Mobile
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 10 acres
- No truncating allowed
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana.
- Non-warrantable Condominiums including Condotels
- Appraised condition rating of C5, or C6
- Property listed for sale within 3 months prior to application is not eligible for cash out refinance

Declining Markets

If appraisal indicates property is in a declining market:
Purchase | Rate & Term: 10% reduction to max LTV
Cash Out: 15% reduction to max LTV

Properties with C4 Condition Rating

Properties with a C4 condition rating require a second review in credit risk

Minimum Square Footage

- Single Family Residence - minimum 600 square feet
- Condominiums – minimum 600 square feet
- 2-4 units – minimum 400 square feet per individual unit

Condominiums:

MAX LTV – See program Matrix

Fannie Mae eligible projects are allowed. Project must be considered warrantable by FNMA guidelines.

Ineligible Projects:

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Timeshare or Projects that restrict the owner's ability to occupy the unit.
- New Condo conversion completed less than 2 years.
- Condotel
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitmentfrom the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 20% of the total number of units. Projects that have 5-20 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 35% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
    - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
    - Fragmented or segmented ownership
    - Ownership is limited to a specific period on a recurring basis (i.e., Timeshare)
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (cannot be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project that does not allocate at least 10% of budget to replacement reserves.

- New Project where less than 50% of total units have been sold or are under bona-fide contract.
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness or habitability.
- Project with adverse environmental issue(s) involving safety, soundness or habitability.
- Project where the developer is still in control of HOA
- Project that would return an "unavailable" result from Fannie Mae CPM. Including projects with an annual budget allocating less than 10% to replacement reserves.
- Project where more than 15% of units are 60 days or more past due on HOA dues.
- Projects that are not well managed or in poor physical or financial condition.
  - Excessive special assessments; Low Reserves; Neglected Repairs

General Project Criteria:

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability and fidelity coverage
- Confirmation the project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee
- Unit must be at least 600 sq ft.

Condominium Insurance Requirements
Coverage

- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage.

Fidelity of Employee Dishonesty Insurance for Condominiums:
For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least sum of three months of assessments on all units in the project is required

HO-6:
If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

The maximum deductible amount must be no greater than 5% of the face amount of the policy.

Flood Insurance:

- The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
  - Building Coverage must equal the lesser of:
    - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
    - The total number of units in the condominium building times $250,000
- Contents Coverage must equal the lesser of:
  - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or

- The maximum amount of contents coverage sold by the NFIP for a condominium building

Fannie Mae Warrantable Condominium Projects (7.26.23):

For projects that meet Fannie Mae requirements, follow review process as required by Fannie Mae. If the loan does not meet the following criteria for a Fannie Mae Limited Review, a FNMA Full Review is required. Condos in Florida, new projects, and recently converted projects require a Full Condo Review.

Limited Review Eligible Transactions-Attached Units in Established Condo Projects	
Occupancy Type	**Maximum LTV/CLTV and HCLTV Ratios**
Primary (Outside of Florida)	90%
Second Home (Outside of Florida)	75%

Projects Eligible for Limited Review OR Review Waiver (7.26.23)

Unit and Project Type	**Project Review Methods**
Attached Condo unit in an established project	Based on the LTV, CLTV, and HCLTV ratios, occupancy, and location (projects in Florida), these projects may be reviewed using a Limited Review. Projects not meeting the Limited Review criteria must be reviewed using a full review including all new projects, recent conversion projects, and projects in Florida.
Unit in a new or established two- to four-unit condo project	Project review is waived, with the exception of some basic requirements that apply.
Detached unit in a new or established condo project	Project review is waived, with the exception of some basic requirements that may apply.
Unit in a PUD project	Project review is waived, with the exception of some basic requirements that apply

Hazard Insurance:

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer (including guaranteed replacement, if applicable); or
- 100% of the Total Estimate Cost-New per the appraiser; or
- The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount – 80% of the insurable value of the improvements- required to compensate for damage or loss on a replacement cost coverage.

Vesting Eligibility:

<table>
<tr><th>Vesting Type</th><th>Requirements</th></tr>
<tr><td>Individual/joint tenant</td><td>Acceptable, follow each individual state allowances</td></tr>
<tr><td>Community Property</td><td>Acceptable, follow each individual state allowances</td></tr>
<tr><td>Tenants in Common</td><td>ALL parties must be borrowers on the transaction, follow each individual state allowances</td></tr>
<tr><td>Power of Attorney</td><td>Acceptable for rate/term refinance, no cash out and purchases per FNMA requirements
Must be “specific” and reference the loan transaction
POA needs to be notarized prior to and within 60 days of note date</td></tr>
<tr><td>Revocable Trust/Inter-Vivos</td><td>Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent.
The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
The Trustee must include either:
The individual establishing the trust (or at least one of the individuals, if two (2) or more)
An institutional trustee that customarily performs trust functions in, and authorized to act as trustee under the laws of, the applicable state. The trustee must have the power to hold the title, and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.
The following documentation is required:
If the trust was created under California law, a full executed Certificate of Trust under Section 18100.5 of the California Probate Code.
If the trust was created under the laws of a state other than California:
Attorney’s Opinion Letter from the borrower’s attorney or Certificate of Trust verifying all of the following:
The trust is revocable.
The borrower is the settler of the trust and the beneficiary of the trust.
The trust assets may be used as collateral for a loan.
The trustee is:
Duly qualified under applicable law to serve as the trustee
The borrower
The settler
Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber new assets</td></tr>
</table>

Ineligible Vesting	• Tenants in Common with parties who are NOT borrowers on transaction • Irrevocable Trust, Qualified Personal Residence Trust (QPRT) • Corporation or Entity • Blind Trust

Appraisal Eligibility

Appraisal Items	**Requirements**

Appraisal Ordering	Transferred appraisals accepted with the following documentation:
	• Full color copy of appraisal in a PDF format (inclusive of 1007 rent schedules and or 1004d if applicable)
	• The appraisal must have been completed by an Appraisal Management Company (AMC). Appraisal must be less than 120 days old at note date.
	• Original lender to provide a signed & dated appraisal transfer letter on their letterhead stating the following:
	  ○ Transfer of ownership and rights for the specific transaction to Champions Funding LLC.
	  ○ Reference the borrower(s) name and subject property address.
	  ○ Include lender certification that the appraisal complies with Federal, State, and Freddie Mac Appraisal Independence Requirements (AIR).
	  ○ Lender certification that the appraisal was ordered and completed within TRID compliance.
	• Champions Funding LLC must receive confirmation of the borrower's receipt of the appraisal
	• Provide Champions Funding LLC with a copy of the appraisal invoice.
	Please note that any changes to the report that are needed cannot be requested by Champions Funding LLC and the broker will need to request all updates and provide Champions Funding LLC with the updated appraisal prior to final approval.

Second Appraisal	A Second Appraisal from a Champions Funding approved AMC is required when the loan amount ≥ $1,500,000. When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.
Appraisal Review	For loan amounts less than $1,500,000 a Desk Appraisal is required and must be ordered from a Champions Approved AMC. If the desk appraisal reflects a value more than 10% below the appraised value the next option would be either a field review or second appraisal, both must be from a Champions Funding LLC approved AMC. When a field review/Second appraisal is provided, the transactions "Appraised Value" will be the lower of the 1st appraisal or field review/second appraisal.

Distressed Markets	If an appraiser identifies a property as "distressed", it must be determined whether any deterioration is material and impactful to the overall value of said property. A minimum reduction of the maximum program LTV will be applied, additional reduction will be subject to underwriter discretion.
Property Flipping	When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a "flip". To determine the 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 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 • Desk review required. • Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at https://www.consumerfinance.gov/compliance/comliance-resources/morgage-resources/higher-priced-mortgage-loans-appraisal-rule/ • Seasoning requirements: last acquisition date to date of the executed contract (Example: property last sale date is 1/1/2024, contract was executed on 4/30/2024, this is a flip 91-180 days and would require a second) • **A second appraisal is required in the following circumstances**: Greater than 10% increase in sales price if seller acquired the property in the past 90 days • Greater than 20% increase in sales price if seller acquired the property in the past 91-180 days
Appraisal Age	All appraisals must be dated within 120 days from note date. If appraisal will expire on or after the note date, an Appraisal Update and/or Completion Report (1004D) must be completed prior to loan closing. If the 1004D indicates a decline in the market value since the original appraisal effective date, a new appraisal must be completed. Original appraisal cannot be more than 365 days old as of note date.
Loan to Value (LTV)	Purchase transactions: LTV equals the lesser of the purchase price or appraised value.

	Refinance transactions: If seasoned ownership is 12 months or greater, current appraised value is used. If the seasoned ownership is less than 12 months, use lesser of original purchase price plus documented improvements or current appraised value. If the borrower acquired the property through inheritance or was legally awarded the property (divorce, separation) current appraised value may be used.

Credit Eligibility:

Credit Items	Requirements
Minimum Credit Score	FICO ≥ 660
Tradeline Requirement	Two (2) tradelines reporting for 12+ months or one (1) tradeline reporting for 24+ months, all with activity in the last 90 days. *First Time HomeBuyers are allowed to apply a 12-month recent and satisfactory VOR towards the tradeline requirement. The following are not acceptable tradelines: • “Non-traditional” credit as defined by Fannie Mae • Any liabilities in deferment status • Accounts discharged through bankruptcy • Authorized user accounts • Charge-offs or collection accounts • Foreclosures, deed in lieu of foreclosure, or short sales
VOM | VOR	VOM required on all mortgages not disclosed on credit report. If property is owned free and clear, require LOE and property profile to support. Mortgage being paid off through the transaction must be current, cannot be currently past due. 0 x 30 lates in last 12 months. All disclosed mortgage payment history is subject to review at Underwriter discretion. VOR is required if borrower doesn’t currently own a home AND subject property is a 2nd home Purchase or Refinance Transaction. ***Note:** For VOMs | VORs tied to private mortgages or private landlord **(defined as an individual, an LLC, company and/or corporation is not considered a private lender)**– 12 months recent canceled checks and/or bank statements are required to support the VOM | VOR provided as well as a copy of the original Note\Lease agreement plus any additional Riders or subsequent Modifications to ensure the loan being paid off is current and is not past its maturity date as that isconsidered being in default.
Forbearance	If the borrower has resolved missed payments through a loss mitigation solution, they are eligible for a new mortgage loan if they have subsequently made at least three (3) timely payments: • For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first.

	• For payment deferral, the borrower must have made three (3) consecutive timely payments following the effective date of the payment deferral agreement. **Note:** The source of funds used to reinstate the loan must be documented if the reinstatement was completed after the application date on the new transaction. The required three (3) consecutive payments cannot be paid in advance or in a lump sum.
Foreclosure	A seven (7) year waiting period is required. No foreclosure in previous seven (7) years as measured from the completion date of the Foreclosure to the Disbursement date of subject loan.
Bankruptcy | Short/Deed-in-Lieu	• No bankruptcy in previous four (4) years (all bankruptcy types) measured from the Discharge Date to the Disbursement Date of subject loan. • No short sale or Deed-In-Lieu in previous four (4) years as measured from the sale/DL date to the Disbursement Date of the subject loan.
Judgments	Must be paid at time of closing. Acceptable LOE required.
Tax liens	Acceptable proof of release. LOE required. Compensating documentation may be required at underwriter's discretion.
Derogatory Credit	Consumer Lates in most recent 12 Months (LOE required. Compensating documentation may be required at underwriter discretion)
Collections	Acceptable, all open collections reporting in the most recent 24 months totaling more than $5,000 must be paid in full prior to or at closing. LOE required. Compensating documentation may be required at underwriter's discretion. Medical collections not included.
Schedule of REO	• Additional financed properties require additional 2 months reserves based on REO's fully documented PITIA OR • A minimum of **12** months total reserves based on the subject property's PITIA • Initial 1003 must reflect a complete Schedule of Real Estate for all properties owned by the Borrower. If using minimum of **12** months total reserves based on the subject property's PITIA, no documentation of REO's PITIA is required.

Verification of Asset Eligibility:

Verification of Assets	**Requirements**
Verification of Reserves	• All asset statements must be dated within 90 days of note date. • Reserves are calculated after considerations for required down payment.

	• 100% value of stocks, bonds, mutual funds, 401k, retirement accounts and deferred compensation are acceptable sources of reserves. • Must provide API data or most recent 1-month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required. • Must provide source of funds for any recent significant deposits. A significant deposit is defined as 10% or more of the loan amount. • Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves. The borrower(s)' ownership of the business, if account is in business name only, must be documented. • Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example: if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify. • Gift funds are not acceptable for reserves. • Cryptocurrency is not permitted. • Cash out from transaction can be used to meet reserve requirement.
Verification of Down Payment or Principal Pay Down	• All asset statements must be dated within 90 days of note date. • Must provide API data or most recent 1-month third-party statement in borrower's name to meet reserves requirements. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required. • Must provide source of funds for any recent significant deposit. A significant deposit is defined as 10% or more of the loan amount. • Business funds are acceptable, must show proof of ownership. Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example: if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify. • Cryptocurrency is not permitted. • Assets held in foreign accounts may not be used as a source of funds to close or for reserves.

Gift Funds	• Gift funds are acceptable for 100% or a portion of the down payment, principal pay down & closing costs, and require a gift letter with the givers name, address, relationship to borrower, amount and verify that the money is a gift and does not have to be repaid.
	• Guidelines to be followed for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.
	  ○ A gift can be provided by:
	    ▪ the Borrower's Family Member;
	    ▪ the Borrower's employer or labor union;

	▪ a close friend with a clearly defined and documented interest in the Borrower; ▪ a governmental agency or public Entity that has a program providing homeownership assistance to: • Low- to Moderate-Income families; or • first-time homebuyers The gift donor may not be a person or Entity with an interest in the transaction, such as the contractor, Dealer, or any person or any other affiliated Entity. • Verifying donor availability of funds and transfer of gift funds ○ Sufficient funds to cover the gift must be verified either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes thefollowing: ▪ a copy of the donor's check and borrower's deposit slip, ▪ a copy of the donor's withdrawal slip and the borrower's deposit slip,a copy of the donor's check to the closing agent, or ▪ a settlement statement showing receipt of the donor's check. ○ When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check (i.e., wire confirmation). *Gift funds may not be used to meet reserve requirements. • Gifts of equity are not permitted
Seller Credit	Seller credit not to exceed 6% on purchase transactions.

Homeowner Education:

Counseling Requirement on all transactions *At least 1 borrower must complete:	**Borrower Paid Cost (POC)**
Framework Online Homebuyer Course or equivalent approved course.	$75

Disaster Areas

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at http://www.fema.gov/news/disasters.fema. In addition, when there is knowledge of an adverseevent occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

Appraisals Completed Prior to Disaster Event:

An exterior inspection of the subject property, performed by the original appraiser, if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

Appraisals Completed After Disaster Event:

- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

Solar Panels

Champions Funding LLC will accept properties containing solar panels under the following circumstances.

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- borrower-owned panels,
- leasing agreements,
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- power purchase agreements

Property with solar panels are eligible for financing. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

If the solar panels are financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing has been filed for the panels in the real estate records, then the following must be done:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, promissory note, and related security agreement that reflects the terms of the secured loan.
- Include the debt obligation in the housing payment and/or DTI ratio calculation.
- Provided the panels cannot be repossessed for default on the financing terms, appraiser can consider the solar panels in the appraised value of the property.
- Include the solar panels in “other debt” secured by the real estate in the CLTV ratio calculation because a UCC fixture filing is of record in the land records.
- If a UCC fixture filing is in the land records, it must be subordinated to our new mortgage loan. The UCC lien cannot be terminated and refiled after closing.

If the solar panels are financed and collateralized- the solar panels are reported to be collateral for separate non-mortgage debt used to purchase the panels, but do not appear on the title report, then the following must be done:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing, promissory note, and related security agreement that reflects the terms of the secured loan.
- Include the debt obligation in the DTI ratio calculation.
- Appraiser cannot provide contributory value of the solar panels towards the appraised value as they are collateral for another debt.
- Solar panels are not included in the LTV/CLTV ratio calculation because the security agreement/UCC financing statement treat the panels as personal property not affixed to the home.

If the solar panels are leased or covered by a Power Purchase Agreement (PPA):

- Obtain and review copies of the lease or power purchase agreement.
- The monthly lease payment must be included in the DTI ratio calculation (if applicable) unless the lease is structured to:
  - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
  - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under PPA where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property
- The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
  - A "precautionary" UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
  - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power purchase agreement must indicate that:
  - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
  - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
  - In the event of foreclosure, the lender or assignee has the discretion to:

- Terminate the lease/agreement and require the third-party owner to remove the equipment;
- Become, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party; or
- Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.