

| DSCR   No Ratio   |  |   | Maximum LTV/CLTV |   |               |
|---|--|---|------------------|---|---------------|
| DSCR  | Min. Credit Score  | Max. Loan Amount  | Purchase         | Rate/Term Refi  | Cash Out Refi |
| ≥ 1.00  | 680  | 1,000,000   | 70               | 65  | 65            |
|   |  | 1,500,000   | 70               | 60  | 60            |
|   | Foreign Credit   | 1,000,000   | 70               | 65  | 65            |
|   |  | 1,500,000   | 70               | 60  | 60            |
| DSCR  | Min. Credit Score  | Max. Loan Amount  | Purchase         | Rate/Term Refi  | Cash Out Refi |
| .75 - .99   | 680  | 1,000,000   | 65               | 60  | 60            |
|   |  | 1,500,000   | 65               | N/A   | N/A           |
|   | Foreign Credit   | 1,000,000   | 65               | 60  | 60            |
|   |  | 1,500,000   | 65               | N/A   | N/A           |
| DSCR  | Min. Credit Score  | Max. Loan Amount  | Purchase         | Rate/Term Refi  | Cash Out Refi |
| No Ratio (< .75)  | 680  | 1,000,000   | 60               | 60  | 60            |
|   |  | 1,500,000   | 60               | N/A   | N/A           |
|   | Foreign Credit   | 1,000,000   | 60               | 60  | 60            |
|   |  | 1,500,000   | 60               | N/A   | N/A           |
| Credit Event Seasoning  |  | Credit Requirements   |                  |   |               |
| BK/FC/SS/DIL: ≥ 36 Months<br>Forbearance, Mod or Deferral: See Guidelines |  | <b>US Credit:</b> <ul style="list-style-type: none"> <li>• Min FICO 680 with</li> <li>• 2 tradelines reporting for 24 months or</li> <li>• 3 reporting for 12 months</li> </ul> |                  | <b>Foreign Credit:</b> <ul style="list-style-type: none"> <li>• Minimum 2 credit reference letters (see guidelines for requirements)</li> </ul> |               |
| Housing History   |  | Unleased/Vacant Properties  |                  |   |               |
| 0x30x12, if documented  |  | LTV reduction not required.   |                  |   |               |
| Ineligible locations  |  |   |                  |   |               |
| Puerto Rico, Guam, & the US Virgin Islands not eligible                   |  |   |                  |   |               |
| General Requirements  |  |   |                  |   |               |
| Product Type  | 30-Yr Fixed, 5/6 ARM, 7/6 ARM  |   |                  |   |               |
| First Time Investor   | Allowed  |   |                  |   |               |
| Interest Only   | Eligible   |   |                  |   |               |
| Loan Amounts  | Min: 150,000   |   | Max: 1,500,000   |   |               |
| Loan Purpose  | Purchase, Rate/Term, and Cash Out  |   |                  |   |               |
| Eligibility Restrictions  | Citizens and individuals from OFAC sanctioned countries including Russia and Belarus are not eligible.   |   |                  |   |               |
| Property Type   | <b>Single Family, Attached, Detached:</b> No restrictions   <b>Rural:</b> Not eligible   <b>2-4 Units, Condominium, Condo Hotel:</b> Max LTV/CLTV Purchase 70%, Refinance 65%  |   |                  |   |               |
| Short-Term Rent   | Max LTV: Purchase 70%   Refinance 65%  |   |                  |   |               |
| Acreage   | Property up to 2-acres, not meeting the rural definition, eligible   |   |                  |   |               |
| Cash-In-Hand  | Max cash-in-hand:<br><b>LTV &gt; 50%:</b> \$300,000<br><b>LTV ≤ 50%:</b> \$500,000<br>Total equity withdrawn can't exceed above limits   |   |                  |   |               |
| Appraisal   | 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  |   |                  |   |               |
| Underwriting Requirements   |  |   |                  |   |               |
| Assets  | Sourced and Seasoned for 60 days.  |   |                  |   |               |
| Gift Funds  | Not allowed  |   |                  |   |               |
| Reserves  | 12 months PITIA   Cash out may be used to satisfy reserve requirements   |   |                  |   |               |
| Prepayment Penalty  | 5% of the unpaid principal balance. (Other than the monthly payments required herein, if Borrower prepays this Note in whole or in part before the full term of the pre-payment period, Borrower will pay a Prepayment Premium equal to Five Percent (5%) of any amounts prepaid ("Prepayment Premium").) (Standard Term 3 yrs.) <b>Step down option available for the 5 and 3 year Prepay terms.</b> Not allowed Alaska, Delaware, Kansas, Maryland, Michigan, Minnesota, New Mexico, Ohio, and Rhode Island. Permitted ONLY if closing in the name of an Entity: IL & NJ. Pennsylvania - Min Loan Amt \$312,159. |   |                  |   |               |
| Power of Attorney   | Not allowed  |   |                  |   |               |
| Subordinate Financing   | Must be institutional. No seller carrybacks. Max CLTV equals Max LTV on transaction.   |   |                  |   |               |

**Long-Term Rental Documentation and DSCR Calculation (3.11.24)**

- **Purchase Transactions:**
  - Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents
  - If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent
  - Vacant or unleased property is allowed without LTV restrictions
- **Refinance Transactions:**
  - **Required Documentation:**
    - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement
    - If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the 5% LTV reduction and use of market rent.
  - **Monthly Gross Rents are determined by using the actual lease amount or estimated market rent for 1007/1025 as follows:**
    - If using the lower of the actual lease amount or estimated market rent, nothing further is required.
    - If using a higher actual lease amount, evidence of 3-months of receipt is required.
      - Evidence of 3 most recent consecutive months of rent received
    - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.
  - Vacant or unleased properties are allowed, and the maximum LTV allowed is reduced by 5%.
- **DSCR Calculation:**
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See this matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

**Short-Term Rental Documentation and DSCR Calculation**

Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. For example: ~~AirBnB~~, VRBO, Flipkey, etc.

- **Short – Term Rental Income – Refinance or Purchase Transactions:**
  - A 5% LTV reduction applies to all transactions using short-term rental income when the DSCR is  $\geq$  1.00 (excludes condo hotel projects)
  - When the DSCR is .99 - .75 matrix grid to be followed for this DSCR score
  - Ineligible for No Ratio (DSCR  $<$  .75)
  - **DSCR Calculation:**
    - Monthly gross rents based upon a 12-month average to account for seasonality required.
    - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
    - (Gross Rents \* .80) divided by PITIA = DSCR.
- **Any of the following methods may be used to determine gross monthly rental income:**
  - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
  - The most recent 12-month rental history statement from the 3rd party rental/management service.
    - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The rental income will exclude all vendor or management fees.
  - The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.