



AAA Capital Investment, Inc.

NMLS #295075

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DSCR, Bank Statement Guidelines

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Section 1.0 Introduction

1.1 Overview and Underwriting Philosophy

The AAA Lendings Mortgage Loan Eligibility Guideline (hereafter referred to as “Guidelines”) outline the requirements for residential mortgage loans to be sold to AAA Capital Investment, Inc., DBA “AAA Lendings”. This document serves to provide guidance and consistency in the underwriting and review of the loan and its characteristics related to the borrower and property. AAA Lendings offers programs for borrowers who may have limited access to credit. As such, AAA Lendings evaluates many elements of the loan but primarily relies on the evaluation of the borrower’s ability to repay the loan. In addition to ability-to-repay (ATR), AAA Lendings’s programs take into consideration—with the expectation of full verification and examination—the borrower’s income stability and employment history, credit history, asset position, and the property being used for collateral. Each loan is assessed on the basis of its individual merits with a common sense and holistic approach to the borrower’s ability and willingness to repay. To this end, AAA Lendings’s programs consider the benefit to the borrower on each loan.

1.2 Underwriting Criteria

For specific loan characteristic and eligibility requirements related to LTV, FICO, DTI, etc., refer to the AAA Lendings Mortgage Loan Purchase Eligibility Matrix (hereafter referred to as “Matrix”).

1.2.1 Ability-To-Repay (ATR) and Qualified Mortgage Rule (QM)

All loans must be ATR compliant and adhere to the standards set forth in the CFPB’s Reg Z, Section 1026.43(c). The [Ability-to-Repay Borrower Attestation form \(Exhibit B\)](#) must be included with all loan files delivered for purchase.

Section 2.0 Programs, Products, and Requirements

2.1 Program Overview

AAA Lendings offers multiple loan programs with multiple cascading document types.

See Matrix for details.

- PrimePoint is designed for owner occupied and second home borrowers who require flexibility in mortgage history, credit history, and/or payment and documentation options. This program offers expanded credit parameters for multiple borrower profiles while utilizing multiple document types to further address specific income circumstances in the demonstration of ability-to-repay.
 - Full Doc Option 1: Standard FNMA Documentation
 - Full Doc Option 2: 1 Year W-2 / Tax Returns
 - Alt Doc Option 3: 12 or 24 months Bank Statements
 - Alt Doc Option 4: 12 or 24 months Bank Statements (Option 3) combined with 6

- months Asset Statements
 - Alt Doc Option 7: P&L Only
 - Alt Doc Option 13: 6 months Asset Statements (asset depletion)
 - Alt Doc Option 15: WVOE
 - Alt Doc Option 17: 1099 Only

- InvestPoint is designed for non-owner or investment property borrowers that may or may not have had previous landlord experience. This program offers expanded credit parameters for multiple non-owner borrower profiles while utilizing multiple document types to further address specific income circumstances in the demonstration of ability-to-repay.
 - Full Doc Option 1: Standard FNMA Documentation
 - Full Doc Option 2: 1 Year W-2 / Tax Returns
 - Alt Doc Option 3: 12 or 24 months Bank Statements
 - Alt Doc Option 4: 12 or 24 months Bank Statements (Option 3) combined with 6 months Asset Statements
 - Alt Doc Option 7: P&L Only
 - DSCR Option 9: Investor DSCR (Debt Service Coverage Ratio)
 - Alt Doc Option 13: 6 months Asset Statements (asset depletion)
 - Alt Doc Option 15: WVOE
 - Alt Doc Option 17: 1099 Only

- MultiPoint is designed for 5-8 unit residential properties and 2-8 unit mixed use properties. This program is for the experienced investor only.
 - DSCR Option 9: Investor DSCR (Debt Service Coverage Ratio)

2.2 Eligible Products

The following loan products are eligible for purchase by AAA Lendings. See Matrix for details.

- Fully Amortizing
 - Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
 - 5/1 5/6 SOFR:
 - PrimePoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - InvestPoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - Margin: refer to ratesheet
 - Minimum Interest rate Floor is Margin
 - 7/1 7/6 SOFR:
 - PrimePoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - InvestPoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - Margin: refer to ratesheet

- Minimum Interest rate Floor is Margin
- 30 Year Fixed
- Interest-Only
 - Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the scheduled remaining loan term after the interest only period has expired.
 - 5/1 5/6 SOFR:
 - PrimePoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - InvestPoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - Margin: refer to ratesheet
 - Minimum Interest rate Floor is Margin
 - Interest-Only Period: 10 Year Interest Only Period
 - Amortization Periods: 20 Year or 30 Year
 - Loan Terms: 360 or 480 months
 - 7/1 7/6 SOFR:
 - PrimePoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - InvestPoint: Qualify borrower(s) at the greater of the Fully-Indexed Rate or Note Rate
 - Margin: refer to ratesheet
 - Minimum Interest rate Floor is Margin
 - Interest-Only Period: 10 Year Interest Only Period
 - Amortization Periods: 20 Year or 30 Year
 - Loan Terms: 360 or 480 months
 - 30 Year Fixed
 - Qualifying Rate: Qualify borrower(s) at the Note Rate
 - Margin: refer to rate sheet
 - Minimum Interest rate Floor is Margin
 - Interest Only Period: 10 Year Interest Only Period
 - Amortization Period: 20 Year
 - Loan Term: 30 Year
 - 40 Year Fixed
 - Overlays:
 - Max 50 DTI
 - Qualifying Rate: Qualify borrower(s) at the Note Rate
 - Margin: refer to rate sheet
 - Minimum Interest rate Floor is Margin
 - Interest-Only Period: 10 Year Interest Only Period
 - Amortization Period: 30 Year
 - Loan Term: 480 months

2.3 Exceptions

Exceptions to published guidelines are allowed per Exceptions Policy and Procedure. Loans with exceptions must exhibit strong compensating factors and must be documented in the loan file.

2.4 Interest Only Restrictions

For interest only loans, see Matrix for maximum LTV. For 40 year interest only loans, maximum DTI is 50%.

2.5 Loan Amount Restrictions

Refer to matrix for loan amount minimums and maximums.

2.6 Minimum FICO

See Matrix for minimum Fico scores.

2.7 Maximum LTV/CLTV

See Matrix for maximum eligible LTV/CLTV.

Maximum CLTV = maximum LTV for the transaction

2.8 Interested Party Contributions / Seller Concessions

For primary residence and second home transactions, see Matrix for Interested Party Contributions limits.

For investment property transactions, Interested Party Contributions are as follows:

- All LTVs: max 3% of the lesser of the property's sales price or appraised value toward closing

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs, prepaid expenses, discount points and other financing concessions, and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

2.9 Escrows / Impound Accounts

Escrows for taxes and insurance are required for all HPML loans.

Escrows for taxes and insurance are required on conventional loans with LTVs greater than 80%, unless otherwise specified by applicable state law.

[2.10 Secondary / Subordinate Financing](#)

Secondary or subordinate financing is allowed.

Subordinate liens can be paid off through closing. See [4.1.2 Rate / Term Refinance](#) and [4.1.3 Cash-Out Refinance](#) for more information.

Secondary financing is subject to the following:

- Subordinate financing must be recorded and clearly subordinated to the new mortgage
- Maximum CLTV = maximum LTV for the transaction
- Seller-held subordinate liens are not permitted
- Payment on the subordinate financing must be included in the borrower's DTI; if a payment is unable to be determined, 1.5% of the original loan balance can be used
- If the debt is an equity line of credit, the CLTV ratio is calculated by adding the total HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the property
- Negative amortization is not allowed, and the scheduled payments must be sufficient to cover at least the interest due

If the subordinate financing has a simultaneous closing, the following is required:

- A copy of the loan approval and repayment terms for the new financing; and,
- A copy of the executed note at closing.

If the existing secondary financing is being subordinated, the following is required:

- The repayment terms of the existing second lien;
- An unsigned copy of the subordination agreement prior to closing; and,
- A copy of the executed subordination agreement at closing.

[2.11 Seasoning: Loan and Document](#)

Underwriting and borrower credit documents may not be more than 120 days seasoned at the Note Date. The Appraisal should be dated no more than 120 days prior to the Note Date.

[2.12 Seasoning: Property Listing](#)

For all refinances, properties that have been listed for sale by the Borrower within the past six (6) months from the loan application date are not eligible.

[2.13 Fees](#)

The total combined Lender Fees and Broker Fees will not exceed limits as designated per program to the gross loan amount for loan requests or the maximum allowed under applicable state laws and predatory lending practices

2.14 Automatic Payment Authorization (ACH)

It is recommended that the loan file contain a borrower executed and assignable Automatic Debit Payment Agreement (ACH) Form. The ACH form should include the bank routing number, account number, and type of account, similar to [Exhibit D](#).

2.15 Borrower Contact Consent Form

To assist the loan servicer in contacting the borrower in a timely manner, a valid phone number should be obtained for the borrower(s). The phone number can be collected on the 1003 loan application or by using the [Borrower Contact Consent Form \(Exhibit G\)](#).

2.16 Prepayment Penalty

Prepayment penalties are eligible on non-owner occupied (Investment properties) transactions only. See the Matrix and Rate sheet for details.

Prepayment penalties on primary residence and second home transactions are prohibited.

Total points, fees, and APR may not exceed current state and federal high-cost thresholds.

Note: States may impose different definitions of points and fees, rate/APR, or prepayment penalties than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a “high-cost mortgage” (or equivalent terms) under state law. Pre-payment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

2.17 State and Federal High Cost Loans

Not eligible for AAA Lendings loan purchase.

2.18 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation. In the case when Fannie Mae does not offer current documentation (e.g. interest only), a document vendor, such as Doc Magic or Ellie Mae, should be utilized for these forms.

2.19 Interest Credit

Loans closed within the first five (5) days of the month may reflect an interest credit to the borrower.

2.20 Assumability

Fixed Rate Notes are not assumable.

Adjustable Rate Notes may be assumable based upon the note. Fannie Mae Notes contain an assumable clause. Regardless, the verbiage on the Note and Closing Disclosure must match.

2.21 Property Hazard Insurance

2.21.1 Evidence of Insurance

At closing, the borrower must provide evidence that the property is covered by hazard insurance in one of the following forms:

Hazard Insurance Policy;

A Certificate of Insurance, Evidence of Insurance Form, Declaration Page, or Insurance Binder that contains the following information:

- Name of insured (for condominiums and PUD's the homeowners association is the named insured)
- Name of mortgagee
- Property address, including zip code.
- Mailing address, if different from property address (second homes and non-owner occupied investment property)
- Type, amount and effective dates of coverage
- Deductible amount and coverage to which each such deductible applies
- Any endorsement or optional coverage obtained and made part of the original policy

2.21.2 Mortgagee Clause

The mortgagee clause/loss payee on all first mortgage policies, binders, and certificate of insurance must show AAA as the mortgagee using the following language:

AAA Capital Investment Inc,

Its Successors And/Or Assigns (ISAOA)

117 S Garfield Ave.

Alhambra CA 91801

Loan #

The mortgagee clause must provide that the insurer will notify the named mortgagee at least 10 days before cancellation of the policy.

2.22 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing.

Flood insurance must be maintained throughout the duration of the loan.

Any loan requiring Flood Insurance must include: an insurance policy that is in compliance with HFIAA and an escrow/impound account for the insurance premium.

2.22.1 Flood Certificate

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). Flood Cert from CoreLogic or ServiceLink is preferred. The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

2.22.2 Minimum Flood Insurance Coverage

For reference, the minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or,
- the unpaid principal balance of the mortgage.

The minimum amount of flood insurance required for a PUD or condo project is the lower of:

- 100% of the insurable value of the facilities; or,
- the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

The flood policy for a PUD or condominium project must cover any common element buildings and any other common property located in a SFHA.

Section 3.0 Property Eligibility

3.1 Appraisals

A completed appraisal report with full interior/exterior appraisal is required on all loan transactions to assess the adequacy of the property as collateral for the mortgage requested.

3.1.1 Appraisal Requirements

The appraisal must either be ordered (1) through an Appraisal Management Company that complies with Appraiser Independence Requirements (AIR), or (2) via the Originator’s own AIR compliant process. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

Appraisers are required to use current appraisal report forms that are acceptable to Fannie Mae and/or Freddie Mac. The following appraisal forms should be used:

- Uniform Residential Appraisal Form (FNMA Form 1004)
- Small Residential Income Property Appraisal Report (FNMA Form 1025)
- Individual Condominium Unit Appraisal Report (FNMA Form 1073)
- Market Conditions Addendum to the Appraisal Report (FNMA Form 1004MC)
- Appraisal Update and/or Completion Report (FNMA Form 1004D)
- Single Family Comparable Rent Schedule for all 1-unit investment properties (FNMA Form 1007)
- 1-4 Family Rider (Assignment of Rents) for all investment properties (FNMA Form 3170)

See MultiPoint Matrix for appraisal requirements.

The Appraisal should be dated no more than 120 days prior to the Note Date. A re-certification of value is acceptable if completed within the original 120 days period. A re-certification of value will extend the expiration date of the appraisal to 180 days. After 180 days, a new appraisal report is required.

Appraisal transfers are allowed.

AAA Lendings will not accept appraisals from appraisers on probation with any regulatory agency. No exceptions. By accepting a transferred appraisal, Sellers are warranting the appraisal is AIR compliant.

Not eligible for AAA Lendings purchase: Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset (UAD) guidelines. AAA Lendings will consider purchase if issue has been corrected prior to loan funding with proper documentation.

| Loan Amount | Appraisal Requirement |
|---------------|-----------------------|
| ≤ \$1,500,000 | One Full Appraisal* |
| > \$1,500,000 | Two Full Appraisals** |
| MultiPoint | See Matrix |

*Appraisal Review or CU or LCA Risk Score of 2.5 or less is required in addition to appraisal.

**When two appraisals are provided, an Appraisal Review or CU or LCA is not required. The lower value of the two appraisals will be utilized unless there is a reasonable explanation.

3.1.2 Additional Collateral Valuation Requirements

There are two options for the additional appraisal review.

Option #1

An Appraisal Review supporting the value within 10% (higher or lower than appraised value) will be required when the requirement is One Full Appraisal. The appraisal review must provide at minimum a value conclusion with supporting documentation and variance from original appraisal value with analysis.

If variance exceeds 10% then a field review ordered from one of the following providers will be required:

- Class Appraisal
- Clear Capital
- Consolidated Analytics
- Direct Valuation Solutions, Inc. (DVS)
- Property Science
- Springhouse Valuations (AltiSource)

A field review from any of the above providers is acceptable in lieu of an appraisal review.

If a field review is obtained there is a 5% tolerance as follows:

- If the field review value is $\leq 5\%$ below the appraised value, use the appraised value for LTV calculations.
- If the field review value is more than 5% below the appraised value, a second appraisal is required.
- Use the lower value of the two appraisals for LTV calculations.

Option #2

AAA Lendings will accept a Fannie Mae Collateral Underwriter (CU) or Loan Collateral Advisor® (LCA) appraisal review that meets the following:

- 1-unit property only (This is a CU or LCA limitation)
- CU or LCA Risk Score of 2.5 or less

When an acceptable CU or LCA is provided, an appraisal review is not required.

3.1.3 Minimum Property Standards

Minimum property standards include but may not be limited to:

- 600 square feet
- Property constructed for year-round use

- Permanently affixed continuous heat source
- No health or safety issues both internal or external

3.1.4 Rural Property

A property that is indicated by the appraisal as rural or containing any of the following characteristics would typically be considered as rural:

- Surrounding area zoned agriculture
- Distance to schools and amenities greater than 25 miles
- Less than 25% of surrounding areas is developed
- Comparable properties are more than 5 miles from the subject property

Rural properties may require additional analysis due to lack of available comparables and limited utilities and services. Any “fair” or “poor” ratings regarding the subject neighborhood should be explained.

3.1.5 Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

3.1.6 Escrow Holdbacks

In general, Escrow Holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

3.2 Ineligible Property Types

- Agricultural zoned property (may be eligible on a case-by-case basis)
- Condo-hotels
- Co-ops
- Hawaii properties located in lava zones 1 and/or 2
- Hobby Farms
- Houseboats
- Income producing properties with acreage
- Log Homes
- Manufactured homes
- Mobile Homes
- Properties subject to oil and/or gas leases (may be eligible on a case-by-case basis)
- Rural properties
- Unique properties
- Working farms, ranches or orchards

3.3 Acreage Limitations

- Maximum 20 acres. 10 or more acres limited to a max LTV/CLTV 80%
- Property with acreage greater than 20 acres (appraisal must include total acreage) may be allowed on a case-by-case basis; must have acceptable sales comparables of similar size

3.4 State Ineligibility

All states eligible with exception of:

- Interest Only feature in TX when using the Texas Section 50(a)(6) Equity Cash Out transactions

3.5 Property Flipping

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.

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/rules-policy/final-rules/appraisals-higher-priced-mortgage-loans/>

A second appraisal dated prior to the loan consummation/note date is required 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

3.6 Title Vesting and Ownership

Ownership must be fee simple.

Acceptable forms of vesting are:

- Individuals
- Joint tenants

- Tenants in Common
- Inter Vivos Revocable Trust
- Business Entity
 - Limited Liability Company (LLC)
 - Limited and General Partnerships
 - Corporations

3.6.1 Inter Vivos Revocable Trust

Inter Vivos Revocable Trusts are allowed when the requirements outlined below are met.

- 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) who is establishing the trust.
- Trust must be in the borrower's name.
- Trust must state that the borrower(s) have a right to revoke the Trust during their lifetimes.
- Income and assets of at least one borrower of the individuals establishing the Trust must be used to qualify for the mortgage.
- Trust must comply with all applicable state and local laws and regulations.
- Trustee must have the power to mortgage the property.
- The trust must become effective during the lifetime of the person establishing the trust.

Provide copy of Trust Agreement or Trust Certificate (where allowed by law) reviewed and approved by Title company. Title must not contain any title exceptions and offer full title protection without exception to the trust.

3.6.2 Business Entity

Vesting solely in the name of a business entity (LLC, partnership or corporation) is acceptable for the investment property only. Sellers must ensure loans that are secured by properties vested in a business are solely business purpose loans for the purchase or refinance of an investment property.

The following standards apply:

- For an LLC, the purpose is for the ownership and management of real estate
- All LLC owners (max four (4)) are Borrowers on the transaction
 - All Borrower(s) must execute the Business Purpose & Occupancy Affidavit, Personal Guaranty Agreement and Occupancy Certification or similar forms subject to approval by AAA Lendings.
- Collateral documents must be signed as follows:

| Note Signature | Required Security Instrument Signature | Personal Guaranty Required |
|--|---|---------------------------------|
| Only Interested Persons | Both Business Entity and all Interested Persons | No |
| Only Business Entity | (a) Only Business Entity; or (b) Both Business Entity and all Interested Persons | Yes, for all Interested Persons |
| Interested Persons and Business Entity | (a) Only Business Entity; or (b) Both Business Entity and all Interested Persons | No |

- Persons who sign the note or a personal guaranty must sign the [Occupancy Affidavit \(Exhibit C\)](#) prior to closing

The following documentation must be provided:

- Formation and Operating documents
 - Articles of Incorporation
 - Operating Agreement
- Tax Identification Number
- Certificate of Good Standing

3.7 Leasehold Properties

Leasehold properties are ineligible.

3.8 Texas Section 50(a)(6) Equity Cash Out Loans

Texas Section 50(a)(6) Equity Cash Out is allowed per section [3.8.1 Seller Certification](#).

Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out loan.

Sellers should not rely on AAA Lendings’s categorization of refinance loans for the purposes of determining compliance with the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution. Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a particular transaction.

Rate/Term Refinance

Defined as the borrower receiving no cash in hand at closing.

Texas Equity 50(a)(6)

Texas law determines when a loan is a Texas Section 50(a)(6) loan.

Non-Texas Section 50(a)(6) loan

A seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan if certain conditions are met. A Non-Texas Section 50(a)(6) loan is eligible for purchase provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution, including:

- The refinanced loan is created at least a year after the initial Texas Equity 50(a)(6) loan was closed;
- The loan amount only covers the actual cost of the refinancing, and does not provide the borrower with additional funds;
- The LTV/CLTV does not exceed 80 percent of the fair market value;
- The lender provides the borrower with certain disclosures within 3 business days of application and 12 or more days before the loan is closed; and,
- An affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution must be prepared and recorded;
- Title Endorsements T42 and T42.1 are required in addition to standard applicable endorsements.

3.8.1 Seller Certification

The Seller certifies that with respect to all of the Texas Section 50(a)(6) mortgages delivered to AAA Lendings, the following applies:

- All Texas Section 50(a)(6) mortgages were (or will be) originated pursuant to written processes and procedures that comply with the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, as amended from time to time.
- The seller has in place a specific process for the receipt, handling, and monitoring of notices from borrowers that seller failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages. Such process must be adequate to ensure that the seller will correct the failure to comply by one of the authorized means no later than the 60th day after the date the seller is notified of the failure to comply by the borrower.
- An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted prior to origination of the Texas Section 50(a)(6) mortgages) in connection with the development and implementation of the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages.
- To ensure ongoing compliance with the law applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages will be reviewed by the seller regularly and will be updated and revised, as appropriate pursuant to clarifications of the law, on a regular and continual basis.
- The seller certifies that it is lawfully authorized to make loans described by Section 50(a)(6), Article XVI, of the Texas Constitution.
- The matters certified herein are representations and warranties of the seller given to AAA Lendings in connection with each Texas Section 50(a)(6) mortgage.

3.9 Limitations on Financed Properties

- The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.
- Commercial properties and residential > 5-units excluded from calculation.

AAA Lendings's exposure to a single borrower may not exceed \$5,000,000 in current UPB or maximum four (4) properties. Exceptions to this policy will be reviewed on a case by case basis.

3.10 Disaster Areas

Subject properties that have been adversely affected by disaster events that receive a formal disaster declaration issued by local, state or federal departments of emergency management must follow the procedures listed below. The following guidelines apply to properties located in FEMA declared disaster areas, as identified on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, hurricanes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest or terrorist attacks, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90 days from the disaster period end date or the date of the event, whichever is later.

3.10.1 Appraisals Completed Prior to Disaster Event, or Appraisals Not Completed

When the appraisal was completed prior to the disaster incident, or the appraisal has not been completed, an interior and exterior inspection of the subject property is required.

- Inspection must be completed by licensed third-party professional to certify the condition of the subject property and to identify any impact to habitability or marketability
- Inspection report must include photographs of front, rear and street view of the property
- Any damage must be repaired and re-inspected prior to purchase
- File must contain a copy of the inspection report and evidence of inspector licensing

For flood and hurricane only disaster events, when the appraisal was completed prior to the disaster, external only DAIR allowed.

An appraisal update or final inspection from the appraiser must also be obtained.

- Appraiser must comment on the adverse event and certify there has been no decline in value

3.10.2 Appraisals Completed After Disaster Event

When the inspection date of the appraisal is after the disaster event, the following requirements must be met:

- Appraiser must comment on the adverse event and any effect on marketability or value

3.10.3 Disaster Event Occurs after Closing, but Prior to Loan Purchase

Loan is ineligible for purchase until an appraisal update or final inspection from the appraiser is obtained:

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report from ProTeck may be utilized, any indication of damage reflected on the report will require a re-inspection by the appraiser.
- The appraiser may perform an inspection (Fannie Mae Form 1004D) and comment on the adverse event and certify that there has been no change to the value.

3.11 Condominiums

Fannie Mae eligible condominium projects allowed. Non-Warrantable condominium projects may be eligible on a case-by-case..

The scope of Fannie Mae’s requirements and the specific eligibility criteria to be met are dependent upon various project types and/or loan level characteristics. The characteristics that define each project type are described on Section Project Types of Fannie Mae B4-2.1-01 General Information on Project Standards.

The following table describes the unit and project type and project review methods correspondingly.

| Unit and Project Type | Project Review Methods |
|---|---|
| Attached Condo unit in a new or newly converted project | <ul style="list-style-type: none"> • Full Review |
| Attached condo unit in an established project | <ul style="list-style-type: none"> • Full review |
| Detached condo | <ul style="list-style-type: none"> • Review waiver |

AAA Lendings condo project exposure maximum may be \$5,000,000 or 20% of project whichever is lower.

3.11.1 Ineligible Projects

Ineligible projects include the following:

- Projects operated as a condominium hotel (condotel)
 - Project in which any unit owner or HOA is a party to a revenue sharing agreement with the developer or another third party.

- Projects that are operated as a hotel or motel and offer registration services with daily, weekly or monthly rentals.
- Hotel or Motel conversions
- Projects with hotel, motel, resort, lodge in the name.
- Resort type projects
- Timeshares or projects that restrict the owner's ability to occupy the unit.
- Projects that include combination live and work units.
- Manufactured home projects.
- Assisted living facilities, continued care facilities and life care facilities.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Condo conversions less than 2 years.
- Where more than 50% of the total square footage in the project is used for non-residential purposes.
- Common interest apartments.
- Projects in litigation or other disputes involving safety, soundness or habitability.
- Projects with adverse environmental issues involving safety, soundness or habitability.

3.11.2 General Project Criteria

- Project is in full compliance with applicable local and state laws and regulations.
- Project meets all FNMA insurance requirements for property, liability and fidelity coverage.
- Common areas and amenities within the project or subject phase must be complete.
- Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.

3.11.3 Re-certification of projects

Follow FNMA guidelines.

Section 4.0 Transaction Types

4.1 Eligible Transactions

4.1.1 Purchase

Proceeds from the transaction are used to finance the acquisition of the subject property.

LTV/CLTV is based upon the lesser of the sales price or appraised value.

4.1.2 Rate / Term Refinance

A rate/term refinance is the refinancing of an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money on the loan. Proceeds from the transaction are used to pay off the existing first mortgage loan and any subordinate loan used to acquire the property.

If the property is owned less than six (6) months at the time of application, the LTV / CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior settlement statement will be required for proof of purchase price. Proof of improvements is required.

Properties that have been listed for sale by the Borrower within the past six (6) months from the loan application date can be accepted case by case. Additional Early Payoff (“EPO”) protection will be required.

Loans can be classified as a Rate / Term Refinance if:

- Proceeds from the transaction are used to pay off any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
 - For closed end seconds, the loan has at least 12 months of seasoning (determined by the time between the note date of the subordinate lien and the application date of the new mortgage); or,
 - For HELOCs and other open-ended lines of credit, the loan has at least 12 months of seasoning and total draws over the past 12 months are less than \$2,000.
- Proceeds from the transaction are used to buy out a co-owner pursuant to an agreement. Proceeds from the transaction are used as cash back in an amount not to exceed the lesser of 1% of the new loan amount or \$2,000 can be included in the transaction.

4.1.3 Cash-out Refinance

A cash-out refinance is a refinance that does not meet the rate/term refinance definition. Cash-out would include a refinance where the borrower receives cash from the transaction or when an open-ended subordinate lien (that does not meet the rate/term seasoning requirements) is refinanced into the new transaction. Debt consolidation loans that pay off personal liabilities where the borrower receives no cash in hand will be categorized as a cash out refinance.

Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance.

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.

The mortgage amount for a cash-out refinance transaction may include any of the following:

- Existing first mortgage payoff
- Closing costs and prepaid items (interest, taxes, insurance) on the new mortgage
- The amount of any subordinate mortgage liens being paid off that do not meet seasoning and draw history requirements as described in [4.1.2 Rate / Term Refinance](#)
- The amount of any non-mortgage related debt paid off through closing
- Additional cash in hand reflected on the settlement statement

A signed letter from the borrower disclosing the purpose of the cash-out must be obtained on all cash-out transactions. The seller should ensure the purpose of the cash-out is also reflected on the loan application.

4.1.4 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 to for the most recent six (6) month period and the mortgage file contains documentation evidencing that the Borrower 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.

4.1.5 DSCR Option 9 Cash-out Restrictions

DSCR Option 9 is designed for investment loans that are designated for business purposes only. Utilizing proceeds of the loan for personal, family, or household purposes is prohibited.

4.1.6 Cash-out for Reserve Requirement

Net cash-out proceeds from the subject transaction may be used for required reserves.

Cash-out from the subject transaction cannot be considered assets for use to qualify on Option 13, Asset Depletion.

4.1.7 Cash-out Seasoning

AAA Lendings defines cash-out seasoning as the difference between application date of the new loan and prior financing note date or date of purchase.

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.

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.

4.1.8 Cash-out Limits

See Matrix for maximum cash-out

4.2 Non-Arm's Length and Interested Party Transactions

4.2.1 Non-Arm's Length Transaction

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions. When the property seller is a corporation, partnership or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

Non-Arm's Length Transactions are ineligible.

4.2.2 Interested Party Transaction

A Conflict-of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker/Agent, or any other interested party to the transaction.

In the case of a the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example, the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined.

A Letter of Explanation regarding the relationship between the parties is required.

When the borrower is a mortgage company owner or broker, their loan must be processed and submitted by an non-affiliated mortgage company.

Section 5.0 Borrower Eligibility and Requirements

5.1 Fraud Report and Background Check

All loans must include a third-party fraud detection report for all borrowers. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the AAA Lendings. If AAA Lendings cannot electronically access the fraud report to clear high-level alerts within the fraud provider's system, an Underwriter's Certification from the AAA Lendings is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the AAA Lendings underwriting staff or operations management personnel.

5.2 Non-Occupant Co-Borrowers

- Allowed for Purchases and Rate/Term Refinance
- Non-Occupant must be an immediate family member
- Full Docs only
- Maximum Occupant only DTI 55%
- 5% LTV reduction
- Single unit primary residence only
- Additional six (6) months reserves required
- The non-occupant co-borrower must be included on title of the subject property

Borrower and Co-Borrower must complete and sign: [Exhibit D: Non-Occupant Co-Borrower Certification](#).

5.3 First Time Homebuyers

AAA Lendings defines a First Time Home Buyer as a borrower who has no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the subject property.

First Time Home Buyer is allowed on some programs with guideline restrictions. See Matrix for restrictions.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- Minimum 680 credit score.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.
- 12-month rental history is required, reflecting 0x30.
- Maximum payment shock of 250%

5.4 Residency

All residency verification documents should be valid at the time of note date.

5.4.1 U.S. Citizen

Eligible without guideline restrictions.

5.4.2 Permanent Resident Alien

Eligible without guideline restrictions.

A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis.

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

- I-551: Permanent Resident Card (Green Card) issued for 10 years that has not expired

- I-551: Conditional Permanent Resident Card (Green Card) issued for 2 years, that has an expiration date, and 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.”

5.4.3 Non-Permanent Resident Alien

Eligible without guideline restrictions.

A Non-Permanent Resident Alien is a non-U.S. citizen authorized to live and work in the U.S. on a temporary basis.

Legal Status Documentation:

- Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
- Visa must be current. If the visa will expire within six (6) months following the close date, additional documentation is required: evidence that the proper extension steps have been followed per the U.S. Citizenship and Immigration Services (USCIS) website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.
- When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer

5.4.4 Foreign National

Eligible with guideline restrictions on DSCR investment property transactions. See [5.5 Foreign National](#)

5.4.5 Ineligible Borrowers

The following borrowers are ineligible:

- Irrevocable or Blind Trust
- Land Trust
- Individual possessing diplomatic immunity or otherwise excluded from US jurisdiction
- Any material parties (company or individual) to transaction listed on HUD’s Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.
- 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.

5.5 Foreign National

A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. Properties under the Foreign National program cannot be used as a primary residence.

5.5.1 Foreign National Guideline Restrictions/Overlays

The following are guideline restrictions specific to Foreign Nationals:

- See matrix for LTV, reserves and loan amount restrictions.
- U.S. citizen as co-borrower not allowed.

5.5.2 Foreign National Program Specific Documentation Requirements

Visa types allowed:

B-1, B-2, H-2, H-3, I-1, J-1, J-2, O-2, P-1, P-2,

Individual Tax Identification Number (“ITIN”) Borrowers may be eligible.

The following is required as evidence the borrower is in the U.S. legally:

- Copy of the borrower’s valid and unexpired passport (including photograph)
- Copy of the borrower’s valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates.
- Borrowers from countries participating in the State Department’s Visa Waiver Program (VWP) are not required to provide a valid visa. The credit file should be documented with a current print out of the participating countries with the borrower’s country of origin highlighted.
 - Participating countries can be found at:
<https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html>

All parties involved on transaction must be screened through exclusionary lists, must be cleared through OFAC’s SND list, search of Specially Designated Nationals & Blocked Persons List may be completed via U.S. Department of Treasury: <https://sanctionssearch.ofac.treas.gov/>

All borrowers must complete IRS form W-8BEN.

Documents signed by the Borrowers outside of the U.S. must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal.

Power of Attorney (POA) is not allowed.

5.5.3 Foreign National Credit

Foreign National borrowers, one of the following will be required:

- A U.S. credit report with at least two (2) trade lines with minimum age of 2 years for one trade line; or
- An international credit report; or

- A bank statement documenting a financial banking relationship for the past 30-days may be utilized in this section.

Qualifying U.S. Credit:

Qualifying U.S. Credit refers to non-U.S. citizen Borrowers who meet standard tradeline requirements located in section 6.0

Qualifying Foreign Credit:

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

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

§Contain contact information for the person(s) signing the letter(s)

§Any translation required must be signed and dated by a certified translator

All documents must be translated into English. Currency must be converted to U.S. Dollars and signed and dated by certified translator.

5.5.4 Foreign National Income

Under the DSCR program, income and employment are not verified.

5.5.5 Foreign National Assets

Reserves

A minimum of twelve (12) months of reserves are required.

Assets Held in Foreign Accounts.

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. Closing funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to note date.

Assets held in foreign accounts must be documented as follows:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or The Wall Street Journal conversion table.
- A copy of one most recent statements of that account.
- Refer to section [7.5 Asset Documentation](#) for eligible sources and types of assets.

Gift funds are not allowed.

Section [Section 7.0 Assets](#) prevails unless otherwise mentioned.

5.5.6 Foreign National: Automatic Debit Payment Agreement (ACH)

An executed Automated Debit Payment Agreement (ACH) form ([Exhibit D: Automatic Debit Payment Agreement \(ACH\) Form](#)) from a U.S. Bank is required for transactions involving a Foreign National.

Section 6.0 Credit

6.1 Credit Report

A credit report is required for every borrower. Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for AAA Lendings loan purchase.

Borrower explanations are to be provided for any Disputed Tradelines with derogatory information reported in the last two years.

6.2 Loan Integrity and Fraud Check

Data integrity is critical to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

6.3 Credit Inquiries

For all inquiries within the most recent 90 days of the credit report date, a signed letter of explanation from the borrower or creditor is required to determine whether additional credit was granted as a result of the borrower's request. If new credit was extended, borrower must provide documentation on the current balance and payment; based on the verification of all new debt/liabilities, the borrower should be qualified with the additional monthly payment.

For programs not related to the DTI calculation, no need to provide letter of explanation.

6.4 Gap Credit Report

A gap credit report or soft-pull is required no more than 10 days prior to loan closing.

This requirement does not apply to loans documented under Option 9.

When a gap report or soft-pull is required, it becomes part of the Mortgage File and all payments/balances and DTI are to be updated.

6.5 Housing History

Twelve (12) months housing history in the three (3) years prior to loan application is required. Twelve (12) month mortgage/housing history includes all occupancy types – Primary, Second Home and Investment Properties.

6.6 Mortgage History

Mortgage and rental payments not reflected on the credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM), or with alternative documentation. Alternative documentation must show the most recent 12-month history, and may be in the form of cancelled checks or bank statements, mortgage/rental statements including payment history, etc.

For borrowers who currently own all property free and clear, there is no mortgage/rent history requirement.

For DSCR programs, current mortgage rating for primary and subject (if refi) only. Late payment for mortgage and/or rental history reflect on credit report in the last 12 months, see Matrix for limits. All housing late payments must be cured at the time of application and remain paid as agreed through closing. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

6.6.1 No Housing History or Less than 12 Months Verified

Borrowers who live rent free or without a complete 12-month housing history are allowed with the following restrictions:

- Maximum 70%.
- Borrower(s) who own their primary residence free and clear aren't considered living rent free
- Primary Residence only
- Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free.

6.7 Consumer Credit

6.7.1 Consumer Credit History

Any delinquent account must either be brought current or paid off at closing.

6.7.2 Timeshares

For credit review purposes, timeshare obligations will be considered consumer installment loans.

6.7.3 Consumer Credit Charge-offs and Collections

A borrower with unfavorable credit history may be deemed acceptable if the occurrences of adverse credit use are not typical and are due to circumstances beyond the borrower's control.

- Medical collections with a max cumulative balance of \$10,000 of any age are not considered
- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and

accounts that total more than \$2,000, must be paid in full prior to or at closing.

- When permitted, collections must be:
 - *Paid off prior to or at closing; or
 - *The borrower must have sufficient reserves to cover all collections above and beyond the required reserve requirements, or
 - *Five percent (5%) of the balance is counted as a payment in the borrower debt-to-income ratio.

6.7.4 Consumer Credit Counseling Services

Borrower enrollment in Fannie Mae approved credit counseling services is allowed when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. In addition, the CCCS administrator must provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

6.7.5 Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

6.7.6 Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

Tax liens that do not impact title may remain open provided the following are met:

- The title company must provide written confirmation that the title company is aware of the outstanding tax lien and there is no impact to the first lien position
- The file must contain a copy of the repayment agreement
- A minimum of 6 payments has been made under the plan with all payments made on time
- The balance of the lien must be included when determining the maximum CLTV for the program
- The maximum payment under the plan is included in the DTI ratio
- Refinance transactions require a subordination agreement from the taxing authority

6.8 Bankruptcy History

Recent bankruptcies are not allowed, all bankruptcies must be settled a minimum of twenty-four (24) months. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date.

All bankruptcies must be discharged or dismissed for the minimum number of months from closing date as shown on the Matrix. See Matrix for specific details.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

6.9 Foreclosure Seasoning

Seasoning of a foreclosure is measured from the settlement date (final property transfer) to the note date.

Foreclosure must be seasoned for the minimum number of months from closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

6.10 Short Sale / Deed in Lieu Seasoning

Seasoning of a short sale or deed-in-lieu is measured from the settlement date (sale or final property transfer) to the note date.

Short sale or deed-in-lieu must be seasoned for the minimum number of months from closing date (see Matrix for details).

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

6.11 Forbearance or Modification

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

- 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 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.
- Forbearance, loan modification, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note
- date of the subject transaction and having a 0x30x12 Housing History are allowed
- under all programs; completed or reinstated less than 4 months are ineligible; completed or reinstated greater than 4 months but within 12 months will be treated as a 0x90x12 for eligibility and pricing.

6.12 Credit Score

The primary wage-earner must have minimum two (2) valid score.

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.

To determine the Representative Credit Score for a borrower, select the middle score when 3 agency scores are provided, and the lower score when only 2 agency scores are provided. For multiple borrowers, use the Representative Credit Score of the primary wage-earner for programs except DSCR. Additional borrowers on the loan must have at least one valid score of 500 or greater.

6.13 Standard Tradeline Requirements

The minimum tradeline requirements are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
 - At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.

Valid tradelines have the below characteristics:

- The credit line must be reflected on the borrower's credit report
- Student loans may be counted as tradelines as long as they are in repayment and are not deferred
- An acceptable 12 or 24-month housing history not reporting on credit may also be used as a tradeline.

The following are not acceptable to be counted as valid tradelines:

- Liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures
- Deed-in-lieu foreclosures
- Short sales
- Pre-foreclosure sales

6.14 Obligations / Liabilities not appearing on Credit Report

6.14.1 Housing and Mortgage Related Obligations

All properties owned by the borrower must be fully documented. For DSCR programs, all properties owned by the borrower must be fully disclosed.

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues
- Any subordinate financing payments on mortgages secured by the subject property
- Premiums and similar charges that are required by the creditor (i.e., mortgage insurance)

6.14.2 Current Debt Obligations, Child Support, Alimony or Maintenance Obligations

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed.

Monthly alimony, child support or separate maintenance fees should be current at time of application and must be included in the borrower's DTI ratio. The file should contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past due, the arrearages must be brought current prior to loan closing.

Section 7.0 Assets

7.1 Document Options

Loan files must evidence sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff, and applicable reserves.

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a two (2) month period and dated within 90-days of the loan note date.

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income.

7.2 Reserve Requirements

Reserves should be sourced and documented.

Additional reserves are required for Borrower(s) with additional financed properties other than the Subject property, DSCR Plus 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

Programs : Reserve requirements see Matrix for details. Cash out from the subject transaction may be used toward the reserve requirement. (See Matrix for details).

Reserves for a loan with an Interest Only feature based upon the interest only payment.

PITIA is the monthly housing expense for a property and includes the following:

- Principal and interest (P&I)
- Hazard, flood, and mortgage insurance premiums (as applicable)
- Real estate taxes
- Ground rent
- Special assessments

- Any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit)
- Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attributable to the borrower's unit)
- Any subordinate financing payments on mortgages secured by the subject property

7.3 Down Payment Sourcing

Down payment funds should be documented for 60 days in the loan file. Lenders must require that the borrower state the source of the down payment and provide verification. If the lender determines that the source of the down payment is another extension of credit, the lender must then consider that loan as simultaneous secondary financing. Refer to [2.9 Secondary / Subordinate Financing](#).

7.4 Gift Funds / Gifts of Equity

Gift Funds are allowed for paying off debt, equity contribution refinances, and for closing costs and down payments. Gift funds may not be used to meet reserve requirements.

Acceptable Donors: Fannie Mae guidelines should be used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt;

Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:

1. For Owner-occupied properties a 5% sales price has been made by the borrower from their own funds.
2. For Investment properties, a minimum of 10% of the sales price must be made by the borrower from their own funds.

Gifts of Equity are not allowed.

7.5 Asset Documentation

Fannie Mae guidelines prevail regarding sources and types of assets as well as assets which are not eligible for closing costs and/or reserves.

Asset Documentation should meet the following requirements:

- Account Statements should cover most recent 60-day period
- VOD should be dated within 30 days of loan application date

Stocks/Bond/Mutual Funds - 90% of stock accounts can be considered in the calculation of assets for reserves, If needed to close, verification that funds have been liquidated (if applicable) is required
Vested Retirement Account funds – 70% may be considered for reserves. If needed to close, verification that funds have been liquidated (if applicable) is required.

- Non-vested or restricted stock accounts or units (RSUs) are not eligible for use as down payment or reserves

- Asset accounts used for to calculate additional income for qualifying purposes are not eligible for use as down payment or reserves.
- When bank statements are used, large deposits must be evaluated. Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan.

Assets Held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. Funds used to close must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing. Assets in a foreign account used for reserve requirements do not need to be transferred to a U.S. account. Assets held in foreign accounts must be documented as follows:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table.
- A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) days chain of funds.

7.5.1 Business Funds

Business funds may be used for down payment, closing costs and for the purposes of calculating reserves.

Business accounts may only be used to meet down payment and/or reserve requirements if the Borrower(s) are 100% owners of the business.

The seller must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation:

Full Income Documentation (Doc Options 1 and 2)

The seller must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business.

Self-Employed Borrowers (Doc Options 3,4,7 and 17)

CPA letter to indicate that the withdrawal of funds will not have a negative impact on the business.

Section 8.0 Income Documentation

8.1 Income Analysis

The income documentation and calculation per FNMA guides with 2 years verification unless otherwise noted by the program Doc Options.

8.1.1 Income Worksheet

The loan file should include AAA Lendings's income calculation worksheet detailing income calculations.

Income analysis for borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.

Per [1.2.1 Ability-To-Repay \(ATR\) and Qualified Mortgage Rule \(QM\)](#), the [Ability-to-Repay Borrower Attestation form \(Exhibit B\)](#) must be included with all loan files delivered for purchase.

8.1.2 Employment and Income Verification

Most recent two (2) years income documentation and employment is required to be documented and verified for all income/documentation types unless otherwise noted by Doc Option requirements.

If any borrower is no longer employed in the position disclosed on the Form 1003 at the AAA Lendings purchase date, loan will be ineligible for purchase.

8.1.3 Stability of Income

Stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. The Seller must determine that both the source and the amount of the income are stable.

A two-year employment history is required for the income to be considered stable and used for qualifying.

When the borrower has less than a two-year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the Borrower.

While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.

8.1.4 Earnings Trends

YTD income amount must be compared to prior years' earnings using the borrower's W-2s, signed federal income tax returns, or bank statements.

- Stable or increasing: Income amount should be averaged
- Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used;
- Declining: If trend is declining, the income is not eligible.

8.2 Debt to Income Ratio / DTI

Standard Debt-to-Income (“DTI”) maximums as per Matrix. Expanded DTI is allowed with restrictions. Refer to Matrix for DTI product details and restrictions.

For DTIs that exceed 43% (43.01 and above) residual income is required.

DTI is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

8.3 Residual Income

Residual income is required for all transactions with DTI > 43% or HPML.

Residual Income is the amount of gross monthly income remaining once a borrower has paid all monthly debt obligations.

For residual income, option to utilize either:

- residual income of \$2,500, \$250 is added for the first dependent and \$125 for each additional dependent
- residual income calculation per VA (VA calculation method not applicable to transactions using income qualification from bank statements).

For residual income calculation per VA, use [VA Form #26-6393 Loan Analysis Exhibit H](https://www.vba.va.gov/pubs/forms/VBA-26-6393-ARE.pdf)
<https://www.vba.va.gov/pubs/forms/VBA-26-6393-ARE.pdf>.

- 1) Calculate the total gross monthly income of all occupying borrowers. Note: do not gross up non-taxable income for the residual income calculation.
- 2) Deduct from gross monthly income:
 - a. State income tax
 - b. Federal income tax
 - c. Municipal or other income tax
 - d. Retirement or Social Security tax
 - e. Proposed total monthly fixed payment (total mortgage payment + all recurring monthly obligations)
 - f. Estimated maintenance and utilities (use \$0.14 per square foot of gross living area)
 - g. Job related expenses (if applicable – Employee Business Expense from IRS Form 2106)
- 3) Subtract the sum of the deductions (#2) from the total gross monthly income of all occupying borrowers (#1). The balance is residual income.
- 4) The calculated residual income must be either:
 - a. \$2,500 plus an additional \$150 per dependent; or,
 - b. equal to or greater than the corresponding residual income specified in the VA Residual Income Tables in VA Lending Manual Chapter 4.9 (presented below).
 - i. From the table, select the applicable loan amount, geographic region and household

size. Residual income must equal or exceed the corresponding amount in the table.

| Table of Residual Incomes by Region for Loan Amounts ≥ \$100,000 | | | | |
|--|--|---------|---------|---------|
| Family Size | Northeast | Midwest | South | West |
| 1 | \$450 | \$441 | \$441 | \$491 |
| 2 | \$755 | \$738 | \$738 | \$823 |
| 3 | \$909 | \$889 | \$889 | \$990 |
| 4 | \$1,025 | \$1,003 | \$1,003 | \$1,117 |
| 5 | \$1,062 | \$1,039 | \$1,039 | \$1,158 |
| Over 5 | Add \$80 for each additional member up to a family of seven. | | | |

| Geographic Regions for Table of Residual Incomes | |
|--|---|
| Northeast | Connecticut, New Hampshire, Pennsylvania, Maine, New Jersey, Rhode Island, Massachusetts, Vermont |
| Midwest | Illinois, Michigan, North Dakota, Indiana, Minnesota, Ohio, Iowa, Missouri, South Dakota, Kansas, Nebraska, Wisconsin |
| South | Alabama, Kentucky, Puerto Rico, Arkansas, Louisiana, South Carolina, Delaware, Maryland, Tennessee, District of Columbia, Mississippi, Texas, Florida, North Carolina, Virginia, Georgia, Oklahoma, West Virginia |
| West | Alaska, Hawaii, New Mexico, Arizona, Idaho, Oregon, California, Montana, Utah, Colorado, Nevada, Washington, Wyoming |

8.4 Documentation Options

Various forms of documentation are acceptable depending on borrower profile and borrower income type, and corresponding document option.

8.4.1 4506-C

When the IRS Form 4506-C is required, the form must be signed by the borrower and the transcript obtained and provided in the credit file. 4506-C required for salaried co-borrowers on Options 3 and 4.

| Doc Type and 4506-C Requirement | |
|---------------------------------|-----------------|
| Full Doc Option 1 | 4506-C required |
| Full Doc Option 2 | 4506-C required |
| Alt Doc Option 3 | No 4506-C |
| Alt Doc Option 4 | No 4506-C |
| Alt Doc Option 7 | No 4506-C |
| Alt Doc Option 13 | No 4506-C |
| Alt Doc Option 15 | No 4506-C |
| Alt Doc Option 17 | No 4506-C |
| Investor DSCR Option 9 | No 4506-C |

8.5 Full Income Documentation: PrimePoint and InvestPoint Option 1

8.5.1 Full Doc Option 1: Standard FNMA Documentation

Full Income Documentation is available to borrowers with jumbo loans and conforming loans that fall just outside the parameters for Qualified Mortgages. Loans in this program must not be eligible for sale to any Government Agency.

8.5.2 Full Doc Option 1: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DTI for the transaction.

8.5.3 Full Doc Option 1: Full Income Documentation (2 years)

The most recent two years tax returns required. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.

Wage or Salaried Borrowers

- A completed Request for Verification of Employment (Form 1005 or Form 1005(S)), or the borrower's recent paystub(s) (reflecting 30 days of pay and YTD earnings) and IRS W-2 forms covering the most recent two-year period
- A verbal VOE from each employer within 10-days of the note date
- A completed, signed, and dated IRS Form 4506-C is required for each borrower. The form should be executed and the W-2 transcript for the most recent two-year included in the credit file (W-2 transcripts are not required if 1040 transcripts are included in file). Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address. If tax returns present in the credit file, transcripts for the return will be required.

Self-Employed Borrowers

- Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower.
- A YTD P&L and balance sheet (borrower prepared acceptable, borrower required to sign both the P&L and Balance Sheet)
 - If a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required
- A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return, the forms should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
- Verify the existence of the business within 30-days of the note date and ensure the business is active with the following; a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; along with either a phone listing and/or business address using directory assistance or internet search
- Underwriter must consider the financial strength of a self-employed borrower's business.

Other Miscellaneous Income

- Treatment of miscellaneous income sources follow FNMA guidelines.
- For rental income used to qualify, follow the following procedure:
 - 1) For Full Doc option 1 and option 2, using the 100% of the rent amount reported on individual tax return or 75% of lease rent amount minus PITIA for net rental income.
 - 2) For other programs except the DSCR option 9, using 75% of lease rent amount minus PITIA for net rental income.

8.6 Full Income Documentation: PrimePoint and InvestPoint Option 2

8.6.1 Full Doc Option 2: Lite Doc (1 year) W-2 / Tax Returns

Full Income Documentation is available to borrowers with jumbo loans and conforming loans that fall just outside the parameters for Qualified Mortgages. Loans in this program must not be eligible for sale to any Government Agency.

8.6.2 Full Doc Option 2: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DTI for the transaction.

8.6.3 Full Doc Option 2: Lite Doc (1 year)

The most recent year tax returns required. The definition of most recent is the last return scheduled to have been filed with the IRS. Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior two years of tax returns.

Wage or Salaried Borrowers

- 1 year most recent W-2 or 1 year tax returns plus 30 days paystubs
 - Most recent year of tax returns and the borrower's recent paystub(s) (reflecting 30 days of pay and YTD earnings); or,
 - IRS W-2 form for the most recent tax year
- A verbal VOE from each employer within 10-days of the note date
- A completed, signed, and dated IRS Form 4506-C is required for each borrower. The form should be executed and the W-2 transcript for the most recent year included in the credit file (W-2 transcripts are not required if 1040 transcripts are included in file). Any discrepancies between the two documents should be explained and if necessary additional documentation obtained to satisfactorily address. If tax returns present in the credit file, transcripts for the return will be required.

Self-Employed Borrowers

- Most recent year of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower.
- In addition, either of the below is required:
 - A YTD P&L and balance sheet (borrower required to sign both the P&L and balance sheet) if a gap exists between the tax return ending date and start of the YTD P&L, a gap year P&L is required. Qualifying income is determined from the tax returns, the P&L is used to determine that income is stable; or,
 - No P&L with 3 months bank statements verifying cash flow

- A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return, the forms should be executed and the transcripts included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.
- Verify the existence of the business within 30-days of the note date and ensure the business is active with the following:
 - a letter from either the businesses tax professional certifying 2 years of self-employment in same business, or regulatory agency or licensing Bureau; and,
 - either a phone listing and/or business address using directory assistance or internet search
- Underwriter must consider the financial strength of a self-employed borrower's business.

Other Miscellaneous Income

- Treatment of miscellaneous income sources follow FNMA guidelines.

8.7 Alternative Income Documentation: PrimePoint and InvestPoint Option 3

8.7.1 Alt-Doc Option 3: 12 or 24 months Bank Statements

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. Bank statements (personal and/or business) may be used as an alternative to tax returns to document a self-employed borrower's income.

At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.

No 4506-C/tax transcripts/Tax Returns (4506-C required for salaried co-borrowers)

8.7.2 Alt-Doc Option 3: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DTI for the transaction.

Excessive NSF's on the bank statements may cause the loan to be ineligible.

8.7.3 Alt-Doc Option 3: Documentation

Self-Employed Borrowers

- A borrower with a 25% or greater ownership interest in a business is considered self-employed and must be evaluated as a self-employed borrower.
- Borrower must document two years current continuous self-employment with business license or statement from corporate accountant/CPA confirming the same.
 - Other documentation from third parties may be acceptable on a case by case basis (e.g., letter from an attorney).
 - Acceptable business license must be verified by third party (e.g., government entity, borrower's business attorney). Borrowers whose self-employment cannot be independently verified are not eligible.

- In instances where a license is not required (e.g., choreographer), a letter from a CPA confirming employment may be accepted in lieu of a license.

1099 Contractor

- A borrower who is a “1099 contractor” may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns).

Service & Tip Industry

- Due to the cash nature of the service and tip industry, those borrowers may participate the bank statement program. Full documentation is required for employment. Base salary is verified with pay stubs and W-2s. Qualified tips are averaged over time. Utilize the bank statement analysis to determine tip income.
- Borrowers who obtain their income primarily in the form of service fees or tips, are not required to have a business license.

Non-taxable Income (if included in deposits)

- Non-taxable income may be grossed up by 15% for qualifying (e.g., Social Security)
- Supporting documentation is required to validate deposits.

Retirement and Other Income (if included in deposits)

- Retirement income and other fixed documentable income is allowed for qualifying income for both a self-employed borrower and for any non-self-employed or retired co-borrower.
- Non-taxable income may be “grossed up” by 15%.
- Other non-retirement income from the self-employed borrower (e.g., W-2 wage income) may be used. This other income must be fully documented (i.e., may not use the bank statement documentation).
- Supporting documentation is required to validate deposits.

Rental Income (if included in deposits)

- Rental income deposited into business bank statement should be back out and can not be used as business income.
- Rental income used for qualification must be documented with lease(s). Use 75% of lease rent amount minus PITIA for net rental income.
- An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.

Employed Borrowers (if co-borrower)

- Most recent paystub including year-to-date earnings (covering minimum of 30 days) and two years W-2s; or,
- Traditional Written Verification of Employment with 30 days of paystubs and 2 years W-2s.
- Must have 2 years continuous employment in the same line of work.
 - Gaps of 90 days or less may be accommodated with adequate explanation.
- W-2 only and/or 1099 transcripts from the IRS are required for the wage earning or retirement income co-borrower.

8.7.4 Alt-Doc Option 3: Documentation and Income Analysis

Bank statements are used to calculate and show consistency of income for the self-employed borrower.

When using 12 or 24 months of bank statements, no P&L is required.

Personal & Business Bank Statements Combined

- If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 24 or 12 months consecutive bank statements from the same account.
- The bank statements are analyzed per [8.7.5 Alt-Doc : Business Bank Statement Income Analysis](#) to determine qualifying income.
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- **The minimum expense factor with CPA letter or P&L is 25%.**
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns; or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Personal & Business Bank Statements Separated - Personal Bank Statements Only

- When only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 12 or 24 months consecutive personal bank statements and three (3) months business bank statements (to support the business-related deposits in personal account in order to utilize 100% of the deposits).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factor
 - Deposits to a personal account from sources other than self-employment is not to be

included.

- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Business Bank Statements Only

- If only using business bank statements, borrower is to provide the most recent 24 or 12 months consecutive business bank statements.
- The bank statements are analyzed per Section 8.7.5 to determine monthly income.
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (higher or lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- **The minimum expense factor with CPA letter or P&L is 25%.**
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns; or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

The bank statements should show a trend of ending balances that are stable or increasing over the 24 or 12 months period.

- Large deposits inconsistent with history must be documented as business income. Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).

8.7.5 Alt-Doc : Business Bank Statement Income Analysis

Using bank statements to document qualifying income requires the underwriter to review each set of statements differently according to the type of business and the detail of information contained in the statements.

Unlike a paystub, W2 or tax return, bank statements do not contain the same details from one bank to another. All bank statements will contain the same general information such as deposits, debits, balances etc. The information that will vary widely will be the details shown for each debit or deposit source. Some accounts will contain copies of checks written while most will not.

The underwriter will have to understand and analyze the following to determine a supportable qualifying income:

- Research the business type – The UW must have an understanding of the type of business the statements represent and the expected deposits and expenses for the business both in dollar amounts and frequency. The UW must review the address(es) of the business to ensure the location could support the type and size of business reported if applicable.
- The UW will have to categorize the type of bank statements being reviewed as either combined personal and business or business only. Statements cannot be categorized based solely on the account “name”. The activity in the details are to be used to determine the account type.
- The UW will have to review the individual electronic and check debit activity to determine that the expense ratio being applied is accurate and supported by the statements.
- When the bank statement debit activity reflects expenses higher than the standard expense ratios ([8.7.4 Alt-Doc Option 3: Documentation and Expense Ratios](#)) the UW is to analyze the monthly debits to determine the representative expenses for the business.
- The UW will have to recognize when the bank statements provided are insufficient to determine a supportable qualifying income. Often additional statements or “other” accounts may be required to provide a complete income picture.

Personal and business bank statements combined: These are accounts that are typically used by small business owners for both business and personal use. The account activity will show deposits from business activity as well as all other sources of income (wages from spouse,second job,SSI,rents, etc.).

Business Bank Statement Only: These are accounts that are used solely for business revenue and expenses. The account will typically show revenue and expense activity for only the business. Occasionally the account could show deposits or liability payments that are not business related.

- An acceptable business account will reflect business revenue deposits and business expense payments. An account showing deposits and only transfers to other accounts is not sufficient to analyze the business expenses and determine qualifying income.
- Trust accounts or Client Trust accounts are not acceptable documentation for determining qualifying income. The Operating account for the business must be used to accurately analyze business expenses.

Initial Deposit Review: Using an income worksheet the UW is to document the total deposits from the monthly statement. The UW will review the individual deposits on the statement and itemize deposits that are not allowable (unknown wires, transfers from other accounts, refunds, unusually large deposits). Deposits from other income sources, SSI, W2 earnings are to be backed out and documented with the appropriate documents. Gross rents from any REOs are to be backed out of the deposit totals.

- From statement to statement the UW can recognize a deposit pattern of regular dollar amounts, frequency and source. From this pattern and the UW knowledge of business type, the threshold for unusual deposit amounts will be apparent. Additional documentation of unusual deposits will be required to be included as business revenue.
- UW to research deposits/wires that the source is identified to insure the deposit is business revenue. The UW will be able to identify deposits that are from business financing sources and not to be included as revenue.
- Deposits that are inconsistent in type, size or source are to be noted by UW for further review after several months have been completed. The UW can often determine a deposit as acceptable or not after multiple months of activity for deposits and debits are reviewed.

Review of Debits: The UW is to review each statement debit activity for the purpose of supporting the business expense factor used to determine qualifying income. Subject to the information provided for each debit, the UW will be able to determine the accuracy of the expense factor.

- Debits from the account are to be reviewed for consistency with the business type and expense factor applied or provided in the case of a CPA P&L. A business with a 40% expense factor per the P&L will not have 60% of the monthly deposits paid out to 3rd parties over a 12 or 24 months period. The UW will be able to support the expense factor provided or determine the accurate expenses of the business with the review of the debit activity and checks paid.
- Debits that are known personal liabilities (as per credit report) are not viewed as business operating expenses. Undisclosed liabilities that occur regularly are to be researched to determine if additional documentation is required to categorize the expense as business or personal.
- Debits that are paid to the same sources that a deposit has been received from must be backed out of the deposit totals.
- Debits that are reversals or adjustments to a deposit item are to be backed out of the deposit total for that statement period.

Review of Checks Paid: All bank statements will itemize checks paid during the statement period. Some statements will also include copies of each check.

- **Statements without copies of checks** – With a list of the checks written during the statement period, the information an UW can capture is limited. The approach with checks written from a business account is to treat them as business expenses unless documented as otherwise by a copy of the cancelled check.
- **Statements with copies of checks** – With the copies of cancelled checks the UW will have clarity as to whether the payment is an expense of the business. The payee name, memo line and the endorsement of the check will provide information that can assist the UWs review and assessment of the business expenses.

8.8 Alternative Income Documentation: PrimePoint and InvestPoint Option 4

8.8.1 Alt-Doc Option 4: 12 or 24 months Bank Statements (Option 3) combined with 6 months Asset Statements

A self-employed borrower may supplement bank statement income with additional income derived from an asset amortization formula. Asset amortization is a calculation used to generate a monthly income stream from a borrower's personal assets. It can be combined with other income such as Social Security, Pension or other investment income. There is no age restriction.

For the income derived from bank statements refer to [8.7.3 Alt-Doc Option 3: 12 or 24 months Bank Statements Documentation](#), and [8.7.5 Alt-Doc Option 3: 12 or 24 months Bank Statements Income Analysis](#) and 8.8.4 Alt-Doc Option 4: Asset Depletion / Asset Amortization Calculation and Analysis

8.8.2 Alt-Doc Option 4: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DTI for the transaction.

Excessive NSF's on the bank statements may cause the loan to be ineligible.

8.8.3 Alt-Doc Option 4: Eligibility Requirements and Eligible Asset Types

Eligibility Requirements

- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
- 100% of eligible assets must be verified and will be amortized over an 84 months period.
- The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program.

Eligible Asset Types for Asset Amortization

- Minimum Eligible Assets required is the lower of \$1,000,000 or 150% of the loan balance
- Considered assets must be comprised of the following readily marketable assets which must be available to the borrower with no penalty and are limited as follows (after deduction of any funds used for down payment, closing costs or reserves):
- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 70% (stock options not allowed)
- Mutual Funds = 70%
- Retirement Accounts
 - 401(K) plans or IRA, SEP or KEOUGH accounts = 70%
 - can only be used if distribution is not already set up
 - eligible if the borrower is of retirement age (at least 59 ½)
 - 401(K) plans or IRA, SEP or KEOUGH accounts = 60% if the borrower is not of retirement age
- For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(K) loan against the 401(K) account.
- Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation or non-regulated financial companies.

8.8.4 Alt-Doc Option 4: Asset Depletion / Asset Amortization Calculation and Analysis

For Asset Depletion to be used with Bank Statement income the Eligible asset amount to be amortized over an 84 months period.

Example of Asset Amortization for 84 months

Cash in bank (100%); stocks, bonds, and/or mutual funds (70%); IRAs, 401K, and/or retirement accts (70%)

Savings Account Balance \$150,000 (\$150,000 Usable toward calculation)

Stock Fund Balance \$100,000 (\$70,000 Usable toward calculation)

Mutual Fund Balance \$10,000 (\$7,000 Usable toward calculation)

Total Assets of \$249,000 less down payment, loan costs, required reserves = Useable Assets

Useable Assets / 84 months = Monthly qualifying income.

8.9 Alternative Income Documentation: PrimePoint and InvestPoint Option 7

8.9.1 Alt-Doc Option 7: P&L Only

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. A CPA/CTEC/EA completed and signed P&L may be used as an alternative to tax returns to document a self-employed borrower's income.

At least one of the borrowers must be self-employed for at least 2 years (50% or greater ownership) to qualify for this program.

No 4506-C/tax transcripts/Tax Returns

8.9.2 Alt-Doc Option 7: Restrictions

The minimum expense factor with a P&L is 25% for service business, 40% for product business.

Service Business – Offers services such as Accounting, Consulting, Counseling, Financial Planning, Insurance, Therapy.

Product Business – Sells goods such as Contracting or Construction, Food Services, Manufacturing, Restaurant, Retail.

8.9.3 Alt-Doc Option 7: Requirements and Documentation

- Business license for the past 2 years or CPA/Attorney letter to confirm business for the past 2 years with LTV 5% reduction for people who do not have a business license.
- A letter from the CPA, CTEC (CA Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number, and license number is required with the following information:
 - CPA/CTEC/EA prepared or reviewed the most recent 2 years of business tax return filing; and,
 - The business name, borrower's name, and percentage of business ownership by the borrower.
- CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) and/or Business Tax Returns are required
 - A 12 months Profit and Loss Statement from the prior calendar year and a YTD Profit and Loss Statement for the current year.
- Income from co-borrowers who are W2 wage earners is to be documented with most recent W2 and paystub.
- Minimum 50% business ownership required
- Borrower narrative on nature of business required
- An internet search of the business is required with documentation to be included in the credit file to support existence of the business
- Employment verification documentation must be consistent with information on the loan application and Borrower's credit report

8.10 Alternative Income Documentation: PrimePoint and InvestPoint Option 13

8.10.1 Alt-Doc Option 13: 6 months Asset Statements – Asset Utilization Stand Alone

This program is designed for borrowers who have significant verifiable assets and would benefit from alternative loan qualification methods.

Allowable assets are used to determine qualifying income.

Employment and income are not required to be disclosed on the 1003 loan application. If not disclosed, enter "Not applicable to this loan" in the respective fields.

8.10.2 Alt-Doc Option 13: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DTI for the transaction.

Cash out proceeds from the subject transaction may not be used for qualifying.

8.10.3 Alt-Doc Option 13: Requirements and Documentation

Statements covering the most recent 6 months are required for each asset used in qualifying. Quarterly statements covering the most recent two quarters are acceptable.

8.10.4 Alt-Doc Option 13: Assets and Qualification Analysis

Borrower is qualified utilizing the most recent 6 months asset documentation verified:

Cash in bank (100%), stocks (70%), bonds (70%), IRAs (60%), 401k (60%), mutual funds (90%), and/or retirement accounts (60%).

The total allowable assets **less required reserves are divided by 84 months** to determine the qualifying monthly income to be used in calculating the debt to income (DTI).

$$\text{Assets} - \text{Down payment} - \text{Closing cost} - \text{Reserves} / 84 \text{ months} = \text{Qualifying Income}$$
$$\text{Total monthly liabilities} / \text{Qualifying Income} = \text{DTI}$$

8.10.5 Alt-Doc Option 13: Eligible Asset Types for Loan Qualification

Considered assets must be comprised of the following readily marketable assets which must be available to the borrower and are limited as follows:

- Bank Deposits – Checking, Saving, Money Market accounts = 100%
- Publicly traded stocks and bonds = 70% (stock options not allowed)
- Mutual Funds = 70%
- Retirement Accounts
- 401(K) plans or IRA, SEP or KEOUGH accounts = 70%

- can only be used if distribution is not already set up
- eligible if the borrower is of retirement age (at least 59 ½)
- 401(K) plans or IRA, SEP or KEOUGH accounts = 60% if the borrower is not of retirement age
- For eligible asset types, any debt tied to that asset must be netted out. Example: Stocks bought on margin or 401(K) loan against the 401(K) account.
- Assets must be in liquid or semi liquid form, no privately held stock, deferred compensation or non-regulated financial companies.

8.10.6 Alt-Doc Option 13: Ineligible Asset Types for Loan Qualification

Ineligible Asset Types

- Business funds
- Gift funds
- Non-liquid assets (automobiles, artwork, business net worth etc.)
- Life insurance – Face Value not allowed
 - Cash value of a vested life insurance policy is allowed at 100%
 - When used for reserves the cash value must be documented but does not need to be liquidated or received by borrower.
- Annuities of any type are not allowed
- Cash-Out
- Foreign Assets

8.11 Investor Debt Service Coverage Ratio (DSCR): InvestPoint Option 9

8.11.1 DSCR Option 9: Investor DSCR (Debt Service Coverage Ratio)

This program is designed for experienced real estate investors and qualifies borrowers based on cash-flows solely from the subject property.

No borrower employment or income to be included on the application.

Borrower must acknowledge the loan is a “business purpose loan” via the [Occupancy Affidavit Exhibit C](#).

First Time Home Buyers are not allowed, Rent free from spouse’s property is not considered FTHB.

8.11.2 DSCR Option 9: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DSCR for the transaction.

Not eligible for owner occupied or second home.

Pre-payment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

8.11.3 DSCR Option 9: Documentation

Income used to qualify borrower is based upon cash flow from subject property.

A 4506-C is NOT required.

The tax/insurance/HOA etc documents for non-subject properties are not required.

Purchase unleased 1-4 units :

DSCR is calculated using rent survey (Form 1007) provided by the appraiser.

Purchase or refinances currently leased 1-4 units:

DSCR is calculated using rent survey.

Vacant properties are acceptable case-by-case for Refinance.

If existing lease agreement(s) show a higher rental amount, the higher rents may be used if three (3) months documentation is provided (e.g. bank statements, canceled checks).

Short Term Rental Income/AirBnB Income are acceptable case-by-case.

An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.

8.11.4 DSCR Option 9: Qualification

Loan qualification is based on Debt Service Coverage Ratio (DSCR) for the subject property.

Full Amortization:

- Use Note Rate to calculate PITIA for use in Debt Service Coverage Ratio (DSCR).

Interest Only:

- Use Note Rate Initial Interest Only payment to calculate ITIA for use in Debt Service Coverage Ratio (DSCR).

Debt to Income (DTI) ratio is not calculated.

DSCR (Debt Service Coverage Ratio)

The debt service coverage ratio is calculated by taking the gross rents divided by the PITIA or ITIA for Interest Only of the subject property (See Matrix for details)

- No vacancy factor for leased properties.
- Use the Note Rate to calculate PITIA or ITIA (See Matrix for details)
- Rents are derived from the rent survey (Form 1007)
- See matrix for minimum DSCR requirements.

Required Information:

- All properties owned by borrower to be listed on REO schedule.
- All information completed on REO schedule (mortgage balance, gross rents, etc).

8.12 Alternative Income Documentation: PrimePoint and InvestPoint Option 15

8.12.1 WVOE Program

Salaried borrowers receive a consistent wage or salary from an employer in return for a service rendered and have no ownership or less than 25% ownership interest in the business.

All applicants must have two years of verified employment. If the applicant has not been on their present job for two years, verification of previous employment must be obtained to cover a two-year period.

Minimum twenty-four (24) month recent housing history required

8.12.2 Requirements

Documentation Requirements

A written verification of employment (“VOE”) form must contain the following information:

- Dates of employment
- Position.
- Prospect of continued employment, when available.
- Base pay amount and frequency. For employees paid on an hourly basis, the verification must state the hourly wages, including the number of hours worked each week.
- Additional salary information, which itemizes bonus, overtime, tip, or commission income, if applicable.

Two (2) Months Personal Bank Statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE

The employment verification documentation must be consistent with the information listed on the loan application and the employment section of the borrower's credit report. If the employment on the credit report is contradictory to the application, letter of explanation maybe required.

8.13 1099 ONLY (ALTERNATIVE DOCUMENTATION OPTION) PrimePoint and InvestPoint Option 17

Borrowers' who have a 2-year history of been receiving 1099 only or have converted recently from W2 to 1099 and have at least 1 year of receiving 1099 in the same line of work may utilize this program. An exception may be allowed for borrowers who recently converted from wage income to 1099 income with the same employer if they borrower can prove a two-year continuous employment history with that employer.

8.13.1 Qualification

Qualifying income is defined as total 1099 plus year to date Profit and Loss, less standard expense factor.

8.13.2 Standard expense factor

Standard expense factor applies: 50% expense factor.

The minimum expense factor with CPA letter or P&L is 20%.

- When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns; or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
- The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable.

8.13.3 Documentation requirements

- Most recent 1 or 2 years' of 1099 statements (Verified with a 4506-C)
- CPA prepared YTD P&L

- YTD earnings must be documented to support the ongoing receipt of income showing on the 1099s by:
 - Checks or a single check stub(s) with YTD totals if available, or
 - Bank statements (YTD).
 - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.

Section 9.0 MultiPoint Section

9.1 MultiPoint

This program is designed for the experienced investor for the acquisition and financing of 5-8 unit residential investment properties and 2-8 unit mixed use investment properties.

No borrower employment or income to be included on the application. Borrower must acknowledge the loan is a “business purpose loan” via the [Occupancy Affidavit Exhibit C](#).

MultiPoint loans are classified as business loans. Appendix Q and ATR requirements do not apply.

9.1.1 MultiPoint DSCR Option 9: Restrictions

See Matrix for acceptable credit, max LTV, reserves, loan amount and DSCR for the transaction.

Eligible for investor properties only.

Pre-payment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

9.1.2 MultiPoint DSCR Option 9: Documentation

Income used to qualify borrower is based upon cash flow from subject property.

Qualify using the lower of current leases or market rents as shown on appraisal.

If existing lease agreement(s) show a higher rental amount, the higher rents may be used if three (3) months documentation is provided (e.g. bank statements, canceled checks).

Provide the following:

- Current leases.
- Current rent roll.
- Current/most recent tax bill.

A 4506-C is NOT required.

9.1.3 MultiPoint DSCR Option 9: Qualification

Loan qualification is based on Debt Service Coverage Ratio (DSCR) for the subject property.

- Minimum qualifying DSCR 1.00 (Gross rents divided by PITIA)
- Qualifying ratios based on the Note Rate (PITIA)
- Leased properties qualify using the lower of actual lease or market rents.
- Vacant units use 75% of market rents to qualify.
 - Vacant unit limits Purchase: No limit

Refinance: 2 to 3 units maximum 1 vacancy

4+ units maximum 2 vacancies

- See Matrix for additional requirements.

9.1.4 MultiPoint Property Valuation

One full Appraisal on Purchase and Rate/Term loans. Appraisal Review required on Cash-Out transactions. See MultiPoint matrix for specific appraisal requirements.

The Appraisal Review must support the original value within 10% (higher or lower than appraised value).

An additional full Appraisal is required if the Appraisal Review variance is more than 10% below the original appraised value.

The lowest value of two appraisals is used.

9.1.5 MultiPoint Seasoning and Vesting

- Properties owned 12 months or less the valuation is limited to the acquisition cost plus the documented hard cost of improvements made.
- Properties that are owned between 12 and 24 months the valuation is limited to 25% appreciation on the acquisition cost.
- The borrower must be on the Note or guarantor.

9.1.6 MultiPoint Investor Property Type Eligibility

- 5-8 Unit Residential Properties
- 2-8 Unit Mixed Use - Residential with retail or office unit(s).
- See Matrix for Commercial concentration.
- No Rural properties

Section 10.0 Per Diem

Per Diem= [(loan amount x interest rate percent) ÷ 360 or 365]

Section 11.0 Title Insurance Policy

All loans must be covered by a mortgage title insurance policy or other approved form of title evidence, which has been paid in full, is valid and binding, and remains in full force and effect. Each title insurance policy must contain the following endorsements or provide equivalent affirmative coverage, if applicable to the Loan: ALTA Endorsement form 8.0 (CLTA 110.8) or 8.1 (CLTA 110.9); Environmental Protection Lien Endorsement is required for all loans. ALTA form 8.0 must be included with the 1987 ALTA form of title insurance policy. ALTA form 8.1 must be included with the 1970 ALTA form of the title insurance policy.

- ALTA Endorsement form 4 (CLTA 115.1): condominium Endorsement is required for all loans secured by a condominium unit.
- ALTA Endorsement form 5 (CLTA 115.2): PUD Endorsement is required for all loans secured by a PUD unit.
- ALTA Endorsement form 6.0 (CLTA 111.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8): Variable Rate Mortgage Endorsement is required for all ARM loans. ALTA form 6.0 or 6.1 is required for all ARM Loans that do not provide for negative amortization.



AAA Lendings Mortgage Loan Purchase Eligibility Guideline

Ability-to-Repay Borrower Attestation

Date: _____

Application No.: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [AAA Lendings] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [AAA Lendings] knows or has reason to know will be made; (5) the monthly payment for mortgage related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt- to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [AAA Lendings] has been used and considered in making this loan, as required by applicable law:

Employment and Income: _____

Current Monthly Income: _____

Current Monthly Income from Assets: _____

Housing Expenses: _____

Principal and Interest Payment: _____

Real Estate Taxes: _____

Homeowner's Insurance: _____

Association Dues: _____

Other: _____

Total Housing Payment: _____

Debts: Installment and Revolving monthly debt payments: _____

Other Obligations (including alimony and child support payments): _____

Total Monthly Other Debts: _____

The information listed above and in the Attachment, was provided by you in your application and



interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [AAA Lendings] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[AAA Lendings] wants to make sure that the information listed above is correct and complete. [AAA Lendings] is in the business of making loans and collecting loan payments it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower: _____ Date: _____

Co-Borrower: _____ Date: _____



AAA Lendings Mortgage Loan Purchase Eligibility Guideline

Borrower Occupancy Affidavit

Date: _____
Loan Number: _____
Borrower Name(s): _____
Property Address: _____

I/We the undersigned certify that:

- Primary Residence**
I/We will occupy the Property as my/our principle residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.
- Second Home**
I/We will occupy the Property as second home (vacation, etc.) while maintaining a principal residence elsewhere.
- Investment Property**
I/We will not occupy the Property as a principal residence or second home. I/We will not occupy for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

If the subject property will be an Investment property only, the following must be completed on an investment property loan:

I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. 6802 6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C.5101 et seq.), and Homeowners Protection Act (12 U.S.C. 4901 et seq.).

| | |
|----------------------------|----------------------------|
| _____ | _____ |
| Borrower Signature Name | Borrower Signature Date |
| _____ | _____ |
| Co-Borrower Signature Name | Co-Borrower Signature Date |

If the subject transaction is refinance loan, the following must be completed on a refinance transaction:

I/We the undersigned, certify that the property referenced above is NOT currently listed for sale or under contract to be listed for sale.

| | |
|----------------------------|----------------------------|
| _____ | _____ |
| Borrower Signature Name | Borrower Signature Date |
| _____ | _____ |
| Co-Borrower Signature Name | Co-Borrower Signature Date |

I/We the undersigned acquired this property on this date:

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001. et seq.

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

| | |
|----------------------------|----------------------------|
| _____ | _____ |
| Borrower Signature Name | Borrower Signature Date |
| _____ | _____ |
| Co-Borrower Signature Name | Co-Borrower Signature Date |

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Exhibit D: Automatic Debit Payment Agreement (ACH) Form

Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip.



Yes, I would like to enroll in the free* monthly Automatic Payment Program

| | | |
|-----------------------------|-------------------------------------|---|
| Name: | | |
| Street Address: | | |
| City, State, Zip Code: | | |
| Mortgage Loan Number: | | |
| Daytime Phone Number: | Evening Phone Number: | |
| Financial Institution Name: | Financial Institution Phone Number: | |
| Account Routing Number: | Account Number: | <input type="checkbox"/> Checking <input type="checkbox"/> Savings |

*Please note that your financial institution may assess a fee for this transaction.

Please specify the payment date most convenient for you, which must be within the applicable grace period. If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.

Deduct my payment on the _____ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ _____ per month.

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall

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constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature _____ Date _____

Co-Borrower's Signature _____ Date _____

V.20190109



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Exhibit E: Non-Occupant Co-Borrower Certification

Non-Occupant Co-Borrower Certification

Loan number: _____

Borrower: _____

Co-Borrower(s): _____

Subject Property Address: _____

I/We the undersigned certify that:

_____(Initial) I/We are the Co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).

_____(Initial) I/We attest that my/our income is/are being taken into account for qualifying purposes only.

_____(Initial) I/We attest that we do not currently, not will we ever occupy the above mentioned Subject property.

_____(Initial) I/We attest understand that upon consummation of this transaction I/We will have joint liability for the builder(s), or the Real estate broker(s).

_____(Initial) I am a/We are family member(s) of the borrower(s) defined as follows: The borrower's spouse, child, dependent, domestic partner, fiancé, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to %1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001.et seq.

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise it's remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring

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immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Signature _____ Date _____

Co-Borrower Signature _____ Date _____ Co-Borrower Signature _____ Date _____

Relationship to Borrower(s) _____ Relationship to Borrower(s) _____

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Exhibit F: Alternative Loan Review Form

Alternative Loan Review Form

| File Information | |
|---|--|
| Seller Loan ID: | |
| Borrower First Name: | |
| Borrower Last Name: | |
| Analysis | |
| Please complete the following by checking the appropriate box. | |
| <input type="checkbox"/> Borrower DOES NOT qualify for FHA or Conventional/ Agency Loan Program. | |
| <input type="checkbox"/> Borrower DOES qualify for FHA or Conventional/Agency Loan Programs (borrowers who qualify for FHA or Conventional are not eligible for Vista Point Mortgage Products). | |
| Please provide all reasons the loan is not acceptable under FHA or Conventional/Agency Loan Programs (attach DU/LP findings for support as applicable): | |
| | |
| Underwriter's Name: | |
| Underwriter's Signature: | |
| Date of Analysis: | |

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Exhibit G: Borrower Contact Consent Form



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Exhibit G: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

(Information Optional)

To insure we have the correct information for servicing your loan, please provide the following information.

By signing, I authorized my mortgage servicer (its transfer and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

- Same as the subject property
- Please use this mailing address instead:

Cell Phone number:

- I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: _____
Co-Borrower: _____

Email address:

- I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____
Co-Borrower: _____

Signature(s)

Borrower: _____ Date: _____
Co-Borrower: _____ Date: _____

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Exhibit H: VA Form #26-6393 Loan Analysis

CMS Control No. 2000-0570
Replaces Older: 10/00/00
Expiration Date: 06/30/2019

| LOAN ANALYSIS | | LOAN NUMBER | |
|--|--|---|-------|
| <p><small>PRIVACY ACT INFORMATION: The VA will not disclose information collected on this form to any users other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 38VA26, Loan Guaranty Terms, Commitments and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Veterans Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.</small></p> <p><small>RESPONSE BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3719 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if the number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: www.omb.gov/public/LOPP/PRAM.shtm. If desired, you can call 1-800-827-1300 to get information on whom to send comments or suggestions about this form.</small></p> | | | |
| SECTION A - LOAN DATA | | | |
| 1. NAME OF BORROWER | 2. AMOUNT OF LOAN | 3. CASH DOWN PAYMENT ON PURCHASE PRICE | |
| | \$ | \$ | |
| SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS | | | |
| 4. APPLICANT'S AGE | 5. OCCUPATION OF APPLICANT | 6. NUMBER OF YEARS AT PRESENT EMPLOYMENT | |
| | | \$ | |
| 7. LIABILITIES TO (Car, savings, bond, etc.) | 8. CURRENT MONTHLY HOUSING EXPENSE | | |
| \$ | \$ | | |
| 9. UNRETIRED INDEBTED | 10. SPOUSE'S AGE | 11. OCCUPATION OF SPOUSE | |
| <input type="checkbox"/> YES <input type="checkbox"/> NO | | | |
| | 12. NUMBER OF YEARS AT PRESENT EMPLOYMENT | 13. AGE OF DEPENDENTS | |
| | | | |
| <small>NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR</small> | | | |
| SECTION C - ESTIMATED MONTHLY HOUSING EXPENSES (The Property) | | SECTION D - DEBTS AND OBLIGATIONS (Debtors and indicate by (-) which debts considered in Section E, Line 40 (If additional space is needed please use reverse or attach a separate sheet)) | |
| ITEMS | AMOUNT | ITEMS | |
| 14. TERM OF LOAN | YES | 15. MORTGAGE PAYMENT (Principal and Interest) @ _____ % | |
| | | \$ | |
| 16. REALTY TAXES | | 17. HAZARD INSURANCE | |
| | | | |
| 18. SPECIAL ASSESSMENTS | | 19. MAINTENANCE & UTILITIES | |
| | | | |
| 20. OTHER (P.A.C., Condo Fee, etc.) | | 20. JOB RELATED EXPENSE (e.g., child care) | |
| | | | |
| 21. TOTAL | \$ | TOTAL | |
| | | \$ | |
| SECTION E - MONTHLY INCOME AND DEDUCTIONS | | | |
| ITEMS | SPOUSE | BORROWER | TOTAL |
| 31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT | | | \$ |
| 32. FEDERAL INCOME TAX | \$ | \$ | |
| 33. STATE INCOME TAX | | | |
| 34. DEDUCTIONS RETIREMENT OR SOCIAL SECURITY | | | |
| 35. OTHER (Specify) | | | |
| 36. TOTAL DEDUCTIONS | \$ | \$ | \$ |
| 37. NET TAKE-HOME PAY | | | |
| 38. PENSION COMPENSATION ON OTHER NET INCOME (Specify) | | | |
| 39. TOTAL (Sum of lines 37 and 38) | \$ | \$ | \$ |
| 40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME | | | |
| 41. TOTAL NET EFFECTIVE INCOME | | | \$ |
| 42. LESS ESTIMATED MONTHLY HOUSING EXPENSE (Line 21) | | | |
| 43. BALANCE AVAILABLE FOR FAMILY SUPPORT | | SURELINE | \$ |
| 44. RATIO (Sum of lines 43, 41, 42, 40 and 42) ÷ Sum of lines 37 and 38 | | | % |
| 45. PAST CREDIT RECORD | 46. DOES LOAN MEET VA CREDIT STANDARDS? (Check reason for decision under "Remarks," if necessary, e.g., insufficient credit) | | |
| <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY | <input type="checkbox"/> YES <input type="checkbox"/> NO | | |
| 47. REMARKS (Use reverse or attach a separate sheet, if necessary) | | | |
| | | | |
| CIVIL DATA (VA USE) | | | |
| 48A. VALUE | 48B. EXPIRATION DATE | 48C. ECONOMIC LIFE | |
| | | YES | |
| SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION | | | |
| <input type="checkbox"/> Recommended that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and decisions. | | | |
| <input type="checkbox"/> Recommended that the application be disapproved for the reasons stated under "Remarks" above. | | | |
| The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (If loan was closed on the automatic basis.) | | | |
| 49. DATE | 50. SIGNATURE OF EXAMINER/UNDERWRITER (Sign in ink) | | |
| | | | |
| 51. FINAL ACTION | 52. DATE | 53. SIGNATURE AND TITLE OF APPROVING OFFICIAL | |
| <input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION | | | |

VA FORM 26-6393 JUN 2016

SUPPLEMENT TO VA FORM 26-6393, NOV 2012, WHICH WILL NOT BE USED.

Exhibit I: Sample of CPA Letter

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Exhibit I: Sample of CPA Letter

January 28, 2019

**ABC CPA FIRM
ADDRESS | CITY, ST ZIP CODE**

**XYZ LENDER
ADDRESS | CITY, ST ZIP CODE**

To whom it may concern:

I have worked with borrower, John Homeowner, for 5 years. Mr. Homeowner has been the founder/CEO of company, 123 Business, since 2008. I have either completed or reviewed Mr. Homeowner's taxes, and determined that 123 Business operates at a 35% expense factor.

SINCERELY,

JANE SMITH, CPA