

DSCR ≥ 1.25

Loan Amount	FICO	Purchase	R/T	Cash-Out
≤ \$2,000,000	720	75%	75%	70%
	700	70%	70%	65%
	680	65%	65%	60%

theProgram

Product Type	<ul style="list-style-type: none"> Fixed Rate Terms: 30 yr & 30 yr I/O; 5/6 ARM, 5/6 ARM I/O
Interest Only	<ul style="list-style-type: none"> 5% LTV reduction
Loan Amounts	<ul style="list-style-type: none"> Minimum Loan Amount, \$350,000 Maximum Loan Amount: 2,000,000 Maximum Cash-Out: \$500,000
Loan Purpose	<ul style="list-style-type: none"> Purchase Rate/Term Cash Out
Occupancy	<ul style="list-style-type: none"> Investment, business purpose
Property Type	<p>Eligible Property Types</p> <ul style="list-style-type: none"> 5-8 Units
Ineligible Properties	<ul style="list-style-type: none"> Acreage > 2 acres Assisted Living/Continuing Care Facilities Boarding Houses Farms or Hobby Farms Hawaii Properties Located in Lava Zones 1 or 2 Mixed-Use/Commercial Properties Properties Not in Compliance with Local Zoning Properties Subject to Rent Control Regulations Properties with Known Adverse Environmental Conditions Rural Properties
Acreage	<ul style="list-style-type: none"> Max 2-acres
Age of Documents	<ul style="list-style-type: none"> 120 days from closing

theTransaction

Purchase	<ul style="list-style-type: none"> The lesser of purchase price or appraised value of subject property is used to calculate LTV.
Refinance Loan to Value	<ul style="list-style-type: none"> Property acquired > 6 months from application date: appraised value is used to determine LTV. Property acquired < 6 months from application date: lesser of current appraised value or previous purchase price plus documented improvements use for LTV.
Leases	<ul style="list-style-type: none"> An executed lease with 3 months remaining required for all units in the subject property for refinance transactions. Monthly lease payments must be consistent with market rents. Copies of any existing leases must be provided for all transactions. The property cannot be occupied by a Guarantor, any member of the Borrowing Entity, or any family member. Each leased property must be used for residential purposes. No individual room leases, Single Room Occupancy (SRO), or boarder leases permitted. Leases must be in U.S. dollars. No commercial use allowed. No vacation or seasonal rentals allowed. No purchase or sale-leaseback options are permitted. Leasehold properties are not permitted. No leases with a term of > 3 years. Lease must have an initial term of at least 12 months. Tenant must not have requested forbearance or missed rent any payments by 30 days or more in the last 12 months.
Leased Units	<ul style="list-style-type: none"> Leased properties are defined as those with a currently active lease with a minimum initial term of 12 months, between unrelated parties. Month-to-month leases are permitted if rolled 12 months from initial lease term and lease agreement includes month-to-month clause. Month-to-month leases permitted with a prior active lease of 12 months and proof of rent collection for at least 3 consecutive months prior to note date. Proof of receipt of security deposit for new lease required.
Unleased Units	<ul style="list-style-type: none"> Vacant units use 75% of market rents for DSCR calculation. Properties with no proof of rent collections or receipt of security deposit are considered as unleased. For refinance transaction, no more than 2 vacant units allowed. Any vacant unit must provide evidence of a recent lease within the last two months. For purchase transaction, no more than 2 vacant units allowed. If there is an existing lease on the property that is being transferred to the borrower, it must be verified that the lease does not contain any provision impacting the our first lien position of the property.
R/T Refinance	<ul style="list-style-type: none"> Cash back may not exceed the lesser or 2% of the new mortgage balance or \$2,000.
Cash-out Refinance	<ul style="list-style-type: none"> Cash-out proceeds for business purposes only. Signed Business Purpose Affidavit is required.
Ineligible Transactions	<ul style="list-style-type: none"> Non-arm's length transactions Land contract or contract for deed Lease with purchase option Flip transactions (seller in title < 180 days)

theBorrower

First-time Investor	<ul style="list-style-type: none"> • First-Time Investors are not allowed. • Borrower must have 12-month history of investment property ownership in the most recent 12 months.
Entity Borrower	<ul style="list-style-type: none"> • Business purpose and activities of the Borrowing Entity limited to ownership and management of real estate. • Entity ownership is limited to a maximum of 4 owners of the Borrowing Entity w/25% or greater ownership interest in Borrowing Entity. • Borrowing Entity and Personal Guarantors must complete a loan application and receive notice of the loan and its terms prior to closing. • Personal Guarantor required and must be beneficial owner. • U.S. Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens are eligible to act as Personal Guarantors.
Property Management Experience	<p>Borrowers that intend to self-manage the property must meet at least one of the following requirements:</p> <ul style="list-style-type: none"> • Have two years of experience managing income producing properties. • Have a certification or proof of equivalent coursework in real estate property management. • New managers (defined as having less than 2 years property management experience) are permitted with a 700 minimum FICO.
Customer Identification	<ul style="list-style-type: none"> • Verification of name, date of birth, address, identification number of all Borrowers and Guarantors is required.
Title	<ul style="list-style-type: none"> • Ownership must be fee simple and vesting in the name of Borrower or Borrowing Entity only.

theCredit

Credit Report	<ul style="list-style-type: none"> • Credit report and SSN required for every Borrower or Personal Guarantor. • Qualifying score is the lowest mid-score for any Borrower or Personal Guarantor.
Tradelines	<ul style="list-style-type: none"> • 3 tradelines reporting for 12+ months, 2 tradelines reporting for 24+ months, or 1 tradeline reporting for 36+ months. <ul style="list-style-type: none"> ◦ All require activity in the last 12 months. • All Borrowers and Guarantors must meet minimum tradeline requirements. • Limited Tradeline not allowed.
Mortgage History	<ul style="list-style-type: none"> • A 24 month housing history is required.
Evidence of a Primary Residence	<ul style="list-style-type: none"> • All Borrowers and Guarantors must maintain a primary residence. • Evidence of primary occupancy is required.
Collections and Charge-offs	<p>The following may remain open:</p> <ul style="list-style-type: none"> • Collections/charge-offs < 24 mos old with maximum cumulative balance of \$2,000. • Collections/charge-offs ≥ 24 mos old with maximum of \$2,500 per occurrence. • Collections/charge-offs that have passed beyond statute of limitations for that state. • All medical collections. • Collection/charge-off balances exceeding amounts listed above must be paid in full.
Judgements & Tax Liens	<p>All judgments or liens affecting title must be paid to insure lien position without exception. Court-ordered judgments may remain open when one of the following options is met:</p> <ul style="list-style-type: none"> • The amount is the lessor of \$5,000 per occurrence or 2% of the loan amount. • The Borrower or Guarantor is currently in a repayment agreement with the creditor. • Judgments or lien has passed beyond the statute of limitations for that state. <p>Outstanding state and federal tax liens or delinquent obligations may remain open on purchase transactions only (additional LTV reductions may be required).</p>
Bankruptcy & Foreclosure	<ul style="list-style-type: none"> • 84 months seasoning

theRatios & theQualifying

Minimum DSCR	<ul style="list-style-type: none"> • 1.25
DSCR Calculation	<ul style="list-style-type: none"> • Fixed Rate Terms: 30 & 40 year • 7/6 ARM, 10/6 ARM
Occupancy	<ul style="list-style-type: none"> • DSCR = Gross Rental Income / PITIA or ITIA (interest-only loans). • Use the lower of (a) executed lease agreement or (b) market rents.

	<ul style="list-style-type: none"> • If unit is unleased, use 75% of market rents. • The following should be deducted from Gross Rental Income: Credit and Vacancy Loss, Operating Expenses (includes property management, marketing & leasing, repairs & maintenance, insurance, HOA, property taxes, turnover, other expenses), and Capital Expenditures. • Short-term rental income not allowed.
Adjustable Rate Mortgages	<ul style="list-style-type: none"> • The greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA.
Interest Only	<ul style="list-style-type: none"> • • Interest-only loans qualify using the interest-only payment, including escrows, to determine qualifying PITIA. • • 5% LTV reduction required.
theAssets	
Assets	<ul style="list-style-type: none"> • Must be seasoned for 60 days
Reserves	<ul style="list-style-type: none"> • 6 months PITIA. • Net proceeds from transaction may not be used to meet minimum required reserves..
Gift Funds	<ul style="list-style-type: none"> • Not allowed
Interested Party Contributions	<ul style="list-style-type: none"> • Maximum 3% IPCs
Subordinate Financing	<ul style="list-style-type: none"> • Not allowed
theProperty	
Appraisals	<ul style="list-style-type: none"> • Full Interior Appraisal <ul style="list-style-type: none"> ○ FHLMC 71A ○ FHLMC 71B – MAX \$750,000 Loan amount ○ FNMA 1050, or similar short form used to appraise 5+ residential properties) • Commercial BPO (2nd appraisal required if variance of ≥ 10% in value) • Attachments required for appraisal reports: <ul style="list-style-type: none"> ○ rent roll ○ income and expense statement ○ aerial photo ○ sketch or floor plan ○ map ○ plot or survey ○ appraiser qualifications
Appraisal Attachments	<p>Attachments required for appraisal reports:</p> <ul style="list-style-type: none"> • Purchase Agreement • Map, Plot, or Survey • CAM (Common Area Maintenance Expense) • Legal Description • Deeds and Tax Certificate • Leases • Rent Roll • Site Plans • Aerial Photo • Sketch or Floor Plan • Appraiser Qualifications • Operating Income and Expense Statements • Environmental Assessment
Transferred Appraisals	<ul style="list-style-type: none"> • Not allowed
Appraisal Age	<ul style="list-style-type: none"> • Valid for 120 days from the note date • Updates are not allowed

Declining Markets	<ul style="list-style-type: none"> 5% LTV reduction required if appraisal indicates property is located within a declining market
Deferred Maintenance	<ul style="list-style-type: none"> Properties in C5 or C6 condition are not acceptable. Deferred maintenance allowed if not structural in nature. Deferred items may be left as-is if the aggregate cost does not exceed \$2,000 or impact the safety or habitability of the property
Acreage	<ul style="list-style-type: none"> 2 acres maximum
Ineligible Properties	<ul style="list-style-type: none"> SFR 2-4 Units Acreage > 2 acres Assisted Living/Continuing Care Facilities Boarding Houses Condominiums, Condotels or Condo Hotels Co-operative Units Dwellings with < 600 Square Feet of GLA Farms or Hobby Farms Hawaii Properties Located in Lava Zones 1 or 2 Homes on Indian Reservations Log Homes Manufactured Homes Mixed-Use Properties Modular Homes Properties Not in Compliance with Local Zoning Properties Subject to Rent Control Regulations Properties with Known Adverse Environmental Conditions Rural Properties Townhomes Unique Properties (Earth Homes, Berm Homes, Dome Homes, Barndominiums, Shouses, etc.) Vacant Land

theInsurance

Property Insurance	<p>Hazard insurance coverage should be in the amount corresponding to:</p> <ul style="list-style-type: none"> 100% of the insurable value of improvements, as established by the property insurer (Replacement Cost Estimator or equivalent); or The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis; or 100% Replacement Cost Coverage as stated on the policy declaration page; or Total dwelling coverage equal to the final loan amount. Policy must be effective for at least 60 days after the date of funding. See Underwriting Guidelines for additional information.
Flood Insurance	<p>Flood insurance is required for any property located within any area designated by the FEMA as a Special Flood Hazard Area (SFHA). The minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:</p> <ul style="list-style-type: none"> 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.
Rent Loss Insurance	<ul style="list-style-type: none"> Rent Loss Insurance for the subject property is required and must equal at least 6 months PITIA for the subject property.

theTitle

Title Policy	<ul style="list-style-type: none"> Loans must be covered by a title insurance policy that has been paid in full and is valid, binding, and remains in full force and effect. Preliminary title must indicate that final title policy will be issued after funding.
Chain of Title	<ul style="list-style-type: none"> All files must contain a 24-month title history from an acceptable source.

Surveys	<ul style="list-style-type: none"> • A survey is required in the following states: Florida, Kansas, New Mexico, and Texas.
Escrows	<ul style="list-style-type: none"> • Monthly escrow for annual taxes, hazard insurance, flood insurance, and HO-6 insurance coverage is required, unless otherwise specified by applicable state law or an escrow waiver has been elected (non-HPML loans).
theAppendix	
Entity Borrower Documentation	<ul style="list-style-type: none"> • Articles of Organization/Certificate of Formation • Secretary of State Search • Operating Agreement (or equivalent) • Certificate of Good Standing • Executed W-9 and/or Employer Identification Number (EIN) • Evidence of signing authority for Guarantors signing on behalf of the entity
Articles of Organization/Certificate of Formation	<p>The following requirements apply to the Articles of Organization/Certificate of Formation:</p> <ul style="list-style-type: none"> • The Articles identify the state in which the LLC was organized. • The Articles is the document to be used to determine the exact name of the LLC. • In some states, the Articles identify the Manager or Managing Member.
Secretary of State Search	<p>The following requirements apply to the Secretary of State search:</p> <ul style="list-style-type: none"> • After the state in which the LLC was formed has been identified, search for the LLC on the web site of the Secretary of State for the applicable state. • The web site will: <ul style="list-style-type: none"> ○ confirm the state in which the LLC was organized; ○ confirm if the LLC is in good standing with the state (not all state websites will confirm good standing); and ○ contain the most recent Filings filed with the Secretary of State by the LLC. These filings may be labelled "Annual Reports," "Statement of Information," or "Filings." • Open the most recent Statement of Information/Filing to determine the person or entity that manages the LLC. <ul style="list-style-type: none"> ○ The LLC will be managed by either a Manager or a Managing Member. ○ If the managing person or managing entity in the Statement of Information does not match the managing person or managing entity in the Operating Agreement, the discrepancy must be resolved.
Operating Agreement	<p>The following requirements apply to the Operating Agreement (or equivalent):</p> <ul style="list-style-type: none"> • Review the management section of the Operating Agreement. <ul style="list-style-type: none"> ○ This section identifies whether the LLC is managed by (i) one or more Managers, or (ii) the Members of the LLC. The Section should also provide the name(s) of the initial Manager(s). ○ Review the section to ensure that the Manager or Managing Member has the authority to sign the loan document or agreement. • The signature page of the Operating Agreement will identify the Managers and Members. • Confirm if there are any amendments to the Operating Agreement or Resolutions/Consents changing the identity of the Managers or Members. • If the identity of the Managers or Members in the Operating Agreement differ from the Articles/Certificate or the Statement of Information/Filing on the Secretary of State's website, the discrepancy must be resolved.
Certificate of Good Standing	<p>To ensure that the LLC remains in good standing with the state, a Certificate of Good Standing from the Secretary of State of the state or organization should be ordered.</p> <ul style="list-style-type: none"> • If the LLC is obtaining a loan secured by real property in a state that is different from the LLC's state of organization, Deephaven must obtain a Certificate of Good Standing in that additional state. • For example, if a Delaware LLC is obtaining a loan to buy a rental property in the state of Florida, a Lender should obtain a Certificate of Good Standing from the state of Florida to ensure that the LLC registered as a foreign company with the Florida Secretary of State. • Ensure that the Certificate of Good Standing is dated no more than 30 days prior to closing.