



	<p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>• Leases obtained after application must have evidence of the security deposit</li> <li>• Lease agreements made to entities are acceptable             <ul style="list-style-type: none"> <li>○ The borrower cannot be part of the entity</li> </ul> </li> </ul>
<p><b>Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation</b></p>	<p>Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.</p> <ul style="list-style-type: none"> <li>• <b>Short-Term Rental Income – Purchase and Refinance Transactions:</b> <ul style="list-style-type: none"> <li>○ <b>DSCR Calculation:</b> <ul style="list-style-type: none"> <li>▪ Monthly gross rents based upon a 12-month average to account for seasonality required.</li> <li>▪ Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.                     <ul style="list-style-type: none"> <li>○ (Gross Rents * .80) divided by PITIA = DSCR.</li> </ul> </li> </ul> </li> <li>• When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.</li> <li>• Any of the following methods may be used to determine gross monthly rental income:             <ul style="list-style-type: none"> <li>○ A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.                 <ul style="list-style-type: none"> <li>▪ If long-term rent is utilized, 20% expense factor is not to be applied.</li> </ul> </li> <li>○ An alternative market rent analysis similar to FNMA Form 1007/1025 is allowed, subject to the following:                 <ul style="list-style-type: none"> <li>▪ Analysis must be completed pursuant to the lender’s appraisal management process.</li> <li>▪ Must be completed by a licensed appraiser.</li> <li>▪ Must include daily rental rate and occupancy percentage.</li> </ul> </li> <li>○ The most recent 12-month rental history statement from the 3<sup>rd</sup> party rental/management service.                 <ul style="list-style-type: none"> <li>▪ The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying income must be net of all vendor or management fees.</li> </ul> </li> <li>○ The most recent 12-month bank statements from the borrower/guarantor evidencing short-term rental deposits. Borrower/guarantor must provide rental records for the subject property to support monthly deposits.</li> <li>○ AIRDNA Rentalizer and Overview reports, accessed using the Explore Short-Term Rental data, must meet the following requirements:                 <ul style="list-style-type: none"> <li>▪ <b>Rentalizer (Property Earning Potential)</b> <ul style="list-style-type: none"> <li>○ Only allowed for purchase transaction.</li> <li>○ Gross Rents equal the revenue projection from the Rentalizer Report.</li> <li>○ The gross rents are subject to the application of the 20% extraordinary expense factor.</li> <li>○ Revenue projection equals the average daily rental rate times the occupancy rate.</li> <li>○ Forecast Period must cover 12-months from the Note date.</li> <li>○ Must have three (3) comparable properties</li> <li>○ Must be similar in size, room count, amenities, availability, and occupancy.</li> <li>○ Maximum occupancy limited to 2 individuals per bedroom.</li> <li>○ Market score or Sub-Market score must be 60 or greater.</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li></ul>
<b>Underwriting Requirements</b>	
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• If score available, use representative credit score of the borrower/guarantor with the highest representative score.</li> </ul>
<b>Forbearance, Modification, or Deferral</b>	<ul style="list-style-type: none"> <li>• See HEM Non-Agency guide for details</li> </ul>
<b>Tradelines</b>	<ul style="list-style-type: none"> <li>• Tradelines not required</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Min of 30-days asset verification</li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Allowed with 5% borrower contributions</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• 6-months of PITIA</li> <li>• Cash out may be used to satisfy requirement</li> </ul>
<b>Documented Age</b>	<ul style="list-style-type: none"> <li>• 120-Days</li> </ul>
<b>Prepayment Penalty-Investment Property Only</b>	<ul style="list-style-type: none"> <li>• Prepayment periods up to 5-Years eligible, see rate sheet</li> <li>• Penalties not allowed in AK, KS, MI, MN, NM, and RI</li> <li>• Penalties not allowed on loans vested to individuals in IL and NJ</li> <li>• Penalties not allowed on loan amounts less than \$312,159 in PA</li> <li>• Only declining prepayment penalty structures allowed in MS</li> </ul>
<b>Escrow</b>	<ul style="list-style-type: none"> <li>• Escrows may be waived, see HEM Non-Agency guide for more details</li> </ul>
<b>ACH Enrollment</b>	<ul style="list-style-type: none"> <li>• Required – Account must be domestic</li> </ul>