theLender theSecond Matrix

Closed-End Second Mortgages[1,2,3]

Loan Amount	MIN FICO	Owner Occupied				2nd Home				Non-Owner Occupied				
		Full Doc	Bk Stmt 1099	WVOE	P&L Only Asset Depl	Full Doc	Bk Stmt 1099	WVOE	P&L Only	Full Doc	Bk Stmt 1099	WVOE	P&L Only	DSCR ≥1.00
$75,000 – $350,000	720	90	90	85	80	80	80	75	70	80	80	75	70	80
	700	90	85	80	75	80	75	70	65	80	75	70	65	75
	680	85	80	75	70	75	70	65	60	75	70	65	60	70
	660	80	75	70	65	70	60	60	55	70	60	60	55	
$350,001 – $500,000	720	90	85	80	75	80	75	70	65	80	75	70	65	75
	700	85	80	75	70	80	70	65	60	80	70	65	60	70
	680	80	75	70	65	70	65	60	55	70	65	60	55	65
	660	75	65	65	60	65	60	55	50	65	60	55	50	
$500,001 – $750,000	720	80	80	75	70	75	70	65	60	75	70	65	60	70
	700	80	75	70	65	70	65	60	55	70	65	60	55	65
	680	75	65	65	60	65	55	55	50	65	55	55	50	55
	660	70	60	60	55	60	50	50	45	60	50	50	45	
$750,001 – $850,000	720	75	75											
	700	70	70											

LTV Restrictions

[1]Combined Lien Balance:	• 90% - $2,000,000	• 85% - $3,000,000	• 80% - $3,500,000	• 75% - $4,000,000	• 60% - $5,000,000
[2]Asset Depletion:	• Eligible as a separate income doc type: Owner Occupied only - MIN 700 FICO. • Eligible to augment qualifying income for all other doc types except DSCR.				

[3]Property Requirements:

- **Condo – FNMA Warrantable:** Max 75% CLTV OO; 70% CLTV NOO
- **2–4 Units**: Max 75% CLTV OO; 70% CLTV NOO
- **Rural –** Primary residence only; max 10 acres; max 80% CLTV
- **Prior Refinance (1st or 2nd lien) within 6 months:** max 80% CLTV

Declining Market:
- Primary/2nd Homes: Max 75% CLTV (HPML/Non-HPML)
- Investment: Max 70% CLTV (Non-HPML)

Program Requirements

Appraisal

On purchase transactions, a copy of the appraisal with original pictures and any secondary valuation used on the 1st mortgage is acceptable.
Appraisal Form - Must be UAD compliant. Either UAD 2.6 legacy forms (1004, 1073, 1025) or UAD 3.6 (URAR) is acceptable.
See LTV Restrictions table above for applicable max LTV/CLTV by property type, occupancy, and market condition.

Higher-Priced Mortgage Loan (HPML)
- Primary and 2nd Homes: Full Appraisal (1004, 1025, 1073)

HPML QM Safe Harbor (Full Doc only) – expanded clarification:
- Loan amounts ≤$400,000: AVM with 90% Confidence Factor + Property Condition Inspection (Clear Capital, Collateral Analytics, CoreLogic, HouseCanary, Homegenius, Quantarium, Veros)
- Full appraisal required when AVM <90% Confidence Factor
- Loan amounts >$400,000: Full Appraisal (1004, 1025, 1073)

Non-HPML – Primary / 2nd Home / Investment:
- Loan amounts <$400,000: AVM with 90% CF + Property Condition Inspection from approved vendors
- Full appraisal required when AVM <90% CF
- Loan amounts >$400,000: Full Appraisal (1004, 1025, 1073)

Assets
- None required on stand-alone CES. Piggyback purchases require copy of assets for 1st lien.
- Asset Depletion – see Income - Bank Statements section.

	Eligible	Ineligible
Borrower Eligibility	• U.S. Citizen	• Non-occupant co-borrowers

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	• Permanent Resident Alien • Non-Permanent Resident Alien (with U.S. Credit) – No DSCR	• Foreign Nationals • First Time Homebuyers (except piggyback CES) • Power of Attorney (POA) • Irrevocable Trust; Land Trust
Cash-Out & Seasoning	• Proceeds from second lien may be all cash-out. **Ownership Seasoning:** • >6 months ownership seasoning – no restrictions. • ≤6 months ownership seasoning: ineligible for refinance. • ≤6 months seasoning since previous refinance (1st or 2nd lien) – See LTV Restrictions for max CLTV.	
Credit	**Credit Event Seasoning**: 48 months – Foreclosure (NOI/NOD), short-sale, deed in lieu, bankruptcy. No multiple events in last 7 years.	

	Credit Score
	• Qualifying score: lowest of 2 scores or middle of 3 scores from the primary income earner.
	• DSCR & Asset Depletion loans: lowest middle score of all borrowers.
	• The occupying borrower with the highest income is the primary borrower; their representative score is used.
	  ○ When borrowers are self-employed with equal ownership, the highest representative score of all borrowers is used.
	  ○ Minimum credit score for co-borrowers: 500.
	• Non-traditional credit: Ineligible.	

	Derogatory Credit: • Open charge-offs or collections <$1,000 per occurrence acceptable. No delinquent tradelines at closing. • Open medical collections <$1,000 per occurrence acceptable.	
	Housing History: • 0x30x12 on all mortgages for all borrowers. Minimum 12-month housing history required. • Purchase: 12-month housing history – mortgage on credit or VOR from management company; combination of mortgage and rent acceptable. • Cash-Out: 6 months current senior lien on credit report, OR VOM from institutional lender, OR legally inherited property supported by cancelled checks to senior lien. DSCR housing history requirements: refer to DSCR – Closed-End Second section below.	
	Tradeline Requirements: **Stand-Alone:** 3 tradelines reporting for 12+ months or 2 tradelines reporting for 24+ months, all with activity in the last 12 months. • Borrowers with 3 credit scores satisfy minimum tradeline requirements. Piggyback: Default to AUS approval (if applicable); no minimum tradelines required. **Limited Credit (Primary Residence):** Does not meet tradeline requirements – acceptable with 0x30x12 mortgage on credit report (no private party mortgages).	
	Credit Score Model: Credit Score Model- Classic FICO® only. VantageScore® 4.0 and FICO® Score 10T are ineligible.	

Geographic Restrictions	Ineligible:
	• **Non-Business Purpose Loans:** HI, IL, MA, MD, NJ, NY, PA, TN, TX, VT
	• **Business Purpose Loans:**
	  ○ Hawaii properties located in lava zones 1 and/or 2.
	  ○ MD: Baltimore City
	  ○ PA: Philadelphia County
	  ○ TX	

Income Documentation		
Bank Statements (12mo or 24mo)	**Personal & Business-Combined or Business Only:** • At least one borrower must be self-employed for at least 2 years (25% or greater ownership) • Standard expense factor: 50% ○ If business < standard EF: P&L or expense letter from CPA, CTEC, or EA required; EF per letter must be reasonable **Personal & Business Separated:** • At least one borrower must be self-employed for at least 2 years (25% or greater ownership) • Personal bank statements to qualify; 2 months business bank statements required; 100% of business-related deposits in personal account (no EF) **Asset Depletion** – allowed with bank statement documentation.	

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	• Eligible to augment qualifying income on all doc types except DSCR. • Eligible as a stand-alone income doc type for Owner Occupied only (See LTV Restrictions for MIN FICO). **Calculation:** Allowable assets ÷ 60 months = qualifying income **Eligible Asset Types:** Most recent 6 months asset documentation • Cash-in-bank (100%); Stocks, bonds, mutual funds (90%); IRA, 401K, retirement accounts (80%) **Ineligible Asset Types:** • Business funds; non-liquid assets; life insurance face value; annuities; cryptocurrency
Full Doc – 1 Year (W-2/ Tax Returns)	**Salaried:** • 1 year most recent W-2 plus 30 days YTD paystubs **Self-Employed:** • 1 year most recent tax returns, all schedules plus either: borrower-prepared YTD P&L or 3 months bank statements verifying cash flow
Full Doc – 2 Years	**Salaried:** • 2 years W-2 and YTD paystub reflecting minimum 30 days earnings **Self-Employed:** • 2 years tax returns, all schedules; YTD P&L or 3 months business bank statements to support continuance of tax return income
1099 (12mo or 24mo)	• Most recent 1 year or 2 years IRS Form 1099(s). Borrower must have 2-year history of 1099 employment. • Current paystub or bank statement deposit for each 1099 source utilized for qualification (10% expense factor applied). • Third-party documentation (CPA/CTEC/EA) supporting 2-year employment history when 1-year 1099 is used • Tax transcripts required for each 1099 provided **Qualifying Income:** 1099 gross minus 10% expense factor / 12 months • Borrower cannot have ownership interest in the company providing the 1099
P&L Only (12mo)	• No 4506-C / tax transcripts / tax returns required • At least one borrower must be self-employed for at least 2 years (25% or greater ownership) **Qualifying Income:** Net income on P&L × ownership percentage / 12 months • No other income documentation type (other than Asset Depletion) can be combined with P&L for the self-employed borrower **Required Documentation:** • CPA/CTEC/EA signed/prepared P&L covering the most recent 12-month period (PTINs not acceptable) • Signed letter from CPA/CTEC/EA on business letterhead confirming they have prepared and/or reviewed the most recent year's business tax return, business name, borrower's name, and ownership percentage • Evidence the business has been in operation for 12 months or greater • Income from co-borrowers who are W-2 wage earners: documented with most recent W-2 and paystub
WVOE (Written VOE)	**Acceptable Documentation:** • FNMA Form 1005 completed by authorized company representative (Owner, Officer, HR, Payroll) plus 2 months personal bank statements supporting wages • Equifax (The Work Number); Finicity (TXVerify); any other acceptable online income data vendor • Borrowers employed by a family-owned or managed business: ineligible for WVOE documentation program
Lien Position	• 2nd position only
Loan Terms	• Fixed Rate – Fully Amortizing: 10yr, 15yr, 20yr, 30yr; all doc types. • DSCR – Fixed Rate: 10yr, 15yr, 20yr, 30yr Fixed • Interest Only: Ineligible
Max DTI	• 50% maximum
Minimum Loan Amount	• $75,000

	Eligible	Ineligible
Property Type	• SFR max 10 acres, • PUD; Townhome; Rowhome; Modular • 2–4 Units (See LTV Restrictions) • Condo – Warrantable (See LTV Restrictions) • Rural max 10 acres (See LTV Restrictions) **Minimum Property Standards** • 600 sq ft; year-round construction; permanent heat source	• Rural Investor Properties & Rural 2nd Homes • Condotels; Non-Warrantable Condos • Manufactured/Mobile Homes; Log Homes • Working Farms; Hobby Farms; Unique Properties • Agricultural or Commercial Zoned Properties; Co-ops • Room & Board; Adult Assisted Living/Care; Mixed-Use • Land Trust; Deed-Restricted; Hawaii lava zones 1/2 • Houseboats; Income-producing properties with acreage

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		• Multiple dwellings on single lot
Qualifying Payment	• Qualifying ratios based on Full Note Rate. • 1st lien ARMs with <3 years fixed period remaining qualified on fully indexed payment.	
Recently Listed Properties	• Properties listed for sale within the last 6 months are not eligible.	
Senior Lien Requirements	**Eligible**	**Ineligible**
	Statement required within 90 days of Note date. • Conventional fully-amortizing fixed-rate 1st mortgages • ARMs with ≥3 years fixed period remaining • ARMs with <3 years fixed period remaining: qualify on fully indexed payment **Stand-Alone CES – Required Documents:** • Current (within 90 days) 1st mortgage statement: current principal balance, fully amortized, term • HOA statement (if applicable) • HOI, flood insurance (if applicable), flood certificate Piggyback CES Required Documents – see theSecond Guidelines 9.0 Senior Lien Documentation Requirements	• Private party mortgages • Loans in active forbearance or deferment – senior lien must be out of forbearance at time of application. Deferred balance from modifications >12 months may remain open; ≤12 months must be paid through closing. • Negative amortization • Reverse mortgages • Balloon loans where balloon payment comes due during amortization period of 2nd lien • Loans not reporting on credit report or if a VOM cannot be obtained directly from an Institutional Lender
Title Report	• ALTA Short Form – Lender's Policy	
Vesting	• Vesting as an individual or Living Trusts. • Vesting must be the same as current 1st vesting/title ownership • Business Entity (LLC, Limited/General Partnership, Corporation) – investor properties only. • No entities or trusts as members/partners/shareholders	
DSCR – Closed-End Second		
DSCR Calculation	**DSCR = Gross Rents / PITIA (subject property)** • Use Note Rate to calculate PITIA; no vacancy factor • Minimum DSCR: 1.00 • Rents: lesser of rental/lease agreement or rent survey (Form 1007); see LTR/STR Documentation for complete requirements. **Restrictions:** • Stand-alone cash-out transactions only; not eligible for purchase or piggyback • NOO/Investment only; • First-Time Investors NOT eligible • Non-Permanent Resident Aliens: INELIGIBLE • Borrower must acknowledge loan is a business purpose loan via Occupancy Affidavit	
Experienced Investor	The borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 12 months within the most recent 36 months. Proof of investor experience must be in loan file.	
Housing History	The following DSCR housing history requirements are in addition to the Credit section requirements above: • Satisfactory 12-month housing payment history required for primary residence and subject property • If verified via VOM or VOR, no additional documentation (cancelled checks) required • Any mortgage tradeline delinquency on any property owned must be included in housing history eligibility • Non-subject, non-primary mortgages not reporting to credit bureau: additional housing history not required • If borrower has <12 months primary housing history verified, a 12-month satisfactory mortgage history from another REO owned by the borrower may be utilized • Documented proof that lien-free properties are truly "free and clear" of all liens	
LTR Documentation	Monthly gross rents established on Form 1007 or 1025 reflecting long-term market rents. **Refinance – Currently Leased 1–4 Units:** • DSCR calculated using lower of lease agreement or rent survey • If existing lease shows higher rent than market: higher rents may be used with receipt of most recent 3 months payments • If Form 1007 market rent > existing lease: higher market rents may be used not exceeding 120% of lease amount (e.g., lease $1,400, Form 1007 $1,800 → use $1,680) • Copy of lease not required if appraiser lists rent amount on Form 1007; otherwise copy of lease required **Refinance – Vacant Single Unit:**	

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	• Utilize rent survey (Form 1007) to calculate DSCR **Refinance – 2–4 Unit with Vacancy:** • Eligible with max 1 vacant unit; use lower of lease agreements or market survey for leased units; use market survey for vacant unit • Same documentation and 120% lease-amount cap apply as outlined under Refinance – Currently Leased 1-4 Units above. **DSCR Refinance Seasoning:** Not available with <6 months seasoning. After 6 months, current appraised value may be used to calculate CLTV. **Note:** Expired leases converting to month-to-month are acceptable. Intent of the lease must be for more than 30 days.	
STR Documentation	• Short-Term Rental income accepted with 3rd party documentation of 12 months rents. STR = property rented on a nightly rate charge. • Use Alternative Short-Term Rental Analysis form from AMC or Form 1007 from appraiser. • Use leases/rentals throughout the year, averaged over 12-month period; use zero for vacant months. • VRBO/AirBNB: 12-month look-back; 12 monthly statements or annual statement from the online service. • Property must be located in an established short-term rental market, confirmed in the property appraisal. • Gross rents reduced by 20% for specific STR operating costs (advertising, cleaning, etc.). • STR Expense Factor: if actual expenses <20%, use minimum 20%; if actual expenses >20%, use actual expense factor.	
ADU Documentation	• Appraisal must reflect zoning compliance is legal (permits not required) • Appraisal must include at least two (2) sales comparables with an accessory unit • Form 1007 must include at least one rental comparable with an ADU receiving rental income • Market rent for ADU documented on Form 1007; file must include copy of current lease with 2 months proof of current receipt	
Prepayment Penalty (NOO DSCR/BP Only)	• Minimum 1-year PPP required. • Must comply with all applicable state and federal law. **Acceptable Structures:** • Fixed percentage: 3% or 5% • Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years ○ For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%)	• **Prepayment periods up to 5-Years eligible, see rate sheet** ○ Prepay terms: 12, 24, 36, 48, and 60 months • Prepay not offered in: AK, DC, IL, KS, MD, MN, MS, NC, NJ, NM, OH, PA, RI, VA

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