

**Cross Collateral DSCR Matrix**

Maximum LTV/CLTVs			DSCR (Investment Only)		
DSCR	Credit Score	Loan Amount	Purchase	R/T Refi	Cash-Out Refi
>=1.00	700+	<= 6,250,000	80	80	70
Housing History		Credit Event Seasoning	First Time Investor	First Time Homebuyer	
1x30x12, if documented		BK/FC/SS/DIL/Mod: => 36 Mo	Not eligible	Not eligible	
Declining Market Restrictions					
5% LTVs Reduction					
General Requirements					
Product Type	30-Yr Fixed, 30-Yr IO, 5/6 ARM, 7/6 ARM, 10/6 ARM				
Interest-Only	<ul style="list-style-type: none"> <li>10-year IO period with loan fully amortizing over remaining 20 years.</li> <li>Minimum DSCR: Program minimum as determined by individual loan characteristics plus .10</li> <li>DSCR permitted to be calculated using ITIA payment.</li> <li>Reserves requirements are based on the ITIA payment.</li> </ul>				
Loan Amounts	<ul style="list-style-type: none"> <li>Min: 150,000</li> <li>Max: 6,250,000</li> </ul>				
Ownership	Fee Simple				
Loan Purpose	Purchase, Rate/Term, and Cash Out				
Property Type	1-4 Unit residential investment properties, Attached, Detached, Warrantable Condominium				
Purchase	<ul style="list-style-type: none"> <li>Proceeds from the transaction are used to finance the acquisition of the subject property</li> <li>LTV/CLTV is based upon the lesser of the sales price or appraised value</li> <li>Assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or incorporated into the LTV/CLTV calculation</li> </ul>				
Rate/Term	<ul style="list-style-type: none"> <li>The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items. <ul style="list-style-type: none"> <li>A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months</li> </ul> </li> <li>If the first mortgage is HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC <ul style="list-style-type: none"> <li>A seasoned HELOC is defined as a HELOC that has been in place for at least twelve months and not having draws totaling over \$2000 in the most recent twelve months. Withdrawal activity must be documented with a transaction history.</li> </ul> </li> <li>Max cash back at closing is limited to 2% of the new loan amount.</li> <li>If the average ownership of all properties included in the loan amount is &lt;= 6 months, use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV.</li> <li>If the average ownership of all properties included in the blanket loan is greater than 6 months, use appraised value for all properties to calculate LTV</li> </ul> <p><b>Example:</b> The following assumptions are used: Purchase Price \$200,000; As is Appraisal Value \$500,000; Closing Costs \$4,000 and Documented Renovations Expenses \$102,000</p> <p>Cost Basis Determination (including closing costs and documented renovation expenses): Purchase price (\$200,000) + Closing costs (\$4,000) + Documented Renovation expenses (\$102,000) = \$306,000</p> <p>Based on an 'as-is' appraised value of \$500,000 and a maximum Loan-to-Value (LTV) of 80%, the maximum loan amount is \$400,000.</p> <p>The Cost Basis (\$306,000), representing 153% of the purchase price (<math>\\$306,000 / \\$200,000 = 153\%</math>), surpasses the original purchase by 120%. Although the appraised value of \$500,000 permits a potential maximum loan of \$400,000 (80% LTV), the loan amount is restricted to the \$306,000 cost basis.</p>				
Cash-Out	<ul style="list-style-type: none"> <li>A cash-out transaction is one that refinances existing debt on a property and in which the borrower/guarantor receives net proceeds (excluding third-party expenses reflected on the HUD or similar document) from the refinancing that exceed 2% of the loan amount. Financing properties owned free and clear and acquired more than six months prior to the new loan disbursement date is also considered a Cash Out Refinance.</li> <li>Signed explanation of cash out required if Business Purpose Affidavit does not address use of proceeds (required for natural borrowers only). All documentation in file must support and not conflict with the Business Purpose Affidavit</li> <li>Cash out proceeds cannot exceed \$1MM.</li> <li>Cash out may be used for reserves if FICO &gt; 700</li> <li>Cash-out loan proceeds may be used for business purposes only.</li> <li>If the average ownership of all properties included in the loan amount is &lt;= than 6 months use lower of Cost Basis (defined herein) or appraised value for all properties to calculate LTV.</li> <li>If the average ownership of all properties included in the blanket loan is greater than 6 months, use appraised value for all properties to calculate LTV</li> </ul> <p>See above example in the Rate/Term Refinance Transactions Section for calculation of maximum LTV and loan amount</p>				
Delayed Financing	<ul style="list-style-type: none"> <li>Property was purchased within 6 months of the loan application</li> <li>HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property</li> <li>The preliminary title reflects the borrower/guarantor as the owner and no liens.</li> <li>Prior transaction must have been arm's length</li> <li>Will be treated as a rate and term refinance.</li> </ul>				

Cross Collateral – DSCR, continued

**Cross Collateral - Continued**

**Restrictions**

- Inexperienced investors are not permitted.
- Minimum 1.00 DSCR
- Minimum of 2 properties
- Up to 25 properties can be combined into a single loan
- Short-term rentals require a DSCR =>1.25
- Interest-only: Minimum DSCR is a minimum program determined by individual loan characteristics plus 0.10
- Minimum asset value of \$187,500 per each property included.
- Maximum asset value of \$1.5M per unit for each property included (i/e \$1.5M maximum value on 1-unit, \$3.0M maximum value on 2-unit, etc.)
- Maximum loan amount of \$6,250,000.
- See Appraisal Requirements section to determine the pro rata loan amount for each property for the purpose of determining appraisal reqmts.
- **LTV Restrictions:**
  - **Max 60% LTV:** using STR income to qualify A blanket loan is considered a STR when 25% or more of the included properties are STRs.
  - **A 10% LTV reduction will be applied to the following:**
    - Non-warrantable condo. Blanket loans are categorized as non-warrantable condominium loans transactions when 25% or more of the included properties are non-warrantable condominiums; or
    - If >25% of the properties included in a blanket loan have individual DSCR's between 0.75 and 0.99 DSCR (See example below for pro rata DSCR calculation); or
    - Unoccupied/Unleased Property: Blanket loans are categorized as Unoccupied/Unleased when 25% or more of the included properties are vacant according to the definition in the Occupancy section below.
  - Blanket loan transactions not meeting these requirements may be considered by BFF on a single loan variance basis.
- If => 25% of the properties included in the blanket are condominiums, 2-4 units, or a combination thereof, then such properties are not allowed.
- Different property types can be collateralized together. Pricing and eligibility based on the most restrictive property type of all within the cross
- Minimum DSCR on any individual property in the blanket is 0.75

**Example:** Pro rata DSCR calculation to determine if >25% of the properties included in the blanket have individual DSCR's between 0.75 and 0.99 DSCR. An individual property's DSCR should be calculated by allocating a pro rata portion of the P&I on the new loan based on property value  
**Assumptions:**

- Blanket loan secured by 7 properties
- P&I payment on new blanket loan is \$2500
- Monthly taxes, insurance and association fees for property #4 are \$1200
- Monthly gross rental income on property #4 is \$1700

**Step 1:** Determine pro rata allocation for each property based on the value of each property used to calculate LTV. For property #4, the allocation percentage is calculated as \$200,000 divided by \$800,000 = 25%

Property	Appraisal Value	Allocation Based on Total Appraisal Values
1	\$ 100,000	12.50%
2	\$ 100,000	12.50%
3	\$ 100,000	12.50%
4	\$ 200,000	25.00%
5	\$ 100,000	12.50%
6	\$ 100,000	12.50%
7	\$ 100,000	12.50%
<b>Total</b>	<b>\$ 800,000</b>	<b>100.00%</b>

**Step 2:** multiply the total P&I payment on the new loan by the allocation percentage determined in step 1.  
 Example for property #4: \$2500 x 25% = \$625

**Step 3:** Add the individual property's monthly TIA (taxes, insurance, association fees) to the allocated P&I.  
 Example for property #4: \$625 + \$1200 = \$1825

**Step 4:** Calculate the individual DSCR for property by taking gross monthly rent divided by the allocated PITIA.  
 Example for property #4: \$1700 divided by \$1825 = .93

**Step 5:** Repeat the calculation to determine each property's individual DSCR and then determine if >25% of the properties in the blanket have individual DSCRs between .75 and .99. If so, then the LTV must be reduced by 10%

**Occupancy**

- No subject property is permitted to be occupied by any of the borrower/guarantors or their immediate family.
- Investment properties 1-4 units
  - **Occupied/Leased Property:** A property that has at least the following number of Occupied/Leased Units:
    - Single-family property = one unit occupied
    - Two-family property = two units occupied
    - Three-family property = two units occupied
    - Four-family property = three units occupied
  - **Unoccupied/Unleased Property:** A property that is not categorized as an Occupied/Leased Property as defined above.
    - Unoccupied/Unleased long term rental properties are subject to a 5% LTV reduction to the maximum permitted per the eligibility grid for any refinance transaction.

Cross Collateral – DSCR, continued

Cross Collateral - Continued	
<b>Short-Term Rentals</b>	<p>Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement</p> <ul style="list-style-type: none"> <li>• Maximum 60% LTV for Cross Collateralized transactions using short-term rental income to qualify.</li> <li>• Minimum DSCR 1.25</li> <li>• Interest-only permitted               <ul style="list-style-type: none"> <li>• DSCR is program minimum as determined by individual loan characteristics plus 0.10</li> <li>• Qualify on ITIA</li> </ul> </li> <li>• All loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals</li> <li>• New York short-term rental qualifying income not permitted</li> <li>• <b>DSCR Calculation:</b> Monthly gross rent (as determined by transaction type – see below) multiplied by 80% (to account for costs associated with operating a short-term rental property) divided by PITIA (or ITIA for IO loans) = DSCR</li> <li>• <b>Determining Gross Monthly Rental Income</b> – the following methods may be used to determine gross monthly rental income:               <ul style="list-style-type: none"> <li>• <b>Purchase:</b> <ul style="list-style-type: none"> <li>• 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents; or</li> <li>• AirDNA Rentalizer Property Earning Potential report that meets the following requirements:                   <ul style="list-style-type: none"> <li>• Only allowed for purchase transactions</li> <li>• Forecast period must cover 12 months from the note date</li> <li>• The occupancy rate must be &gt; 60%</li> <li>• Must have at least five (5) comparable properties, all within the same ZIP code, must be similar in size, room count, amenities, availability, and occupancy</li> <li>• Market score for subject property must be 60 or better</li> <li>• Monthly gross rent is annual revenue / 12 not to exceed 125% of market rent</li> </ul> </li> </ul> </li> <li>• <b>Refinance:</b> Properties owned =&gt; 6 &lt; 12 months not permitted                   <ul style="list-style-type: none"> <li>• Most recent 12-month rental history statement from a third party rental/management service not to exceed 125% of market rent. The statement must identify the subject property/unit, rents collected for the previous 12-months, or</li> <li>• Most recent 12-month bank statements from the borrower evidencing rental deposits not to exceed 125% of market rent. If no rent received, use zero for that month. Borrower must provide rental records for the subject property to support monthly deposits</li> </ul> </li> </ul> </li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• First-time homebuyers and inexperienced investors are <b>not</b> eligible.</li> <li>• Borrower/primary guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent 3 years, or Borrower/primary guarantor must have had ownership in three or more properties over the past 24 months</li> <li>• Borrower/Guarantor(s) must be US Citizens or Non-US Citizen(s) who are lawfully present in the United States.</li> <li>• All borrower/guarantor(s) must have a valid Social Security Number.</li> </ul> <p><u>All Business entities must:</u></p> <ul style="list-style-type: none"> <li>• Be a legal entity domiciled in the United States, including LLCs, LPs, partnerships, and corporations</li> <li>• Business entity loans must have at least one full recourse warm body, personal guaranty           <ul style="list-style-type: none"> <li>• Any owner of 25% or more of the borrowing entity must be a personal guarantor</li> <li>• At least 51% of the ownership of the underlying entity must be personal guarantor(s)</li> <li>• Any managing member or controlling holder who is not a borrower must be a Personal Guarantor               <ul style="list-style-type: none"> <li>○ A controlling holder is any individual or entity that has the ability to direct the activity of the borrowing entity or has the ability to act on behalf of the company (i.e., borrow money, dissolve the entity, remove members, etc.) without unanimous or majority consent of the members</li> </ul> </li> <li>• All members of an entity will be deemed as managing members absent documentation to the contrary.</li> <li>• An application, credit report and background check is required on all personal guarantors</li> <li>• Personal guarantors are not required to sign the loan closing documents (Note, Mortgage etc.) except to the extent that they are signing on behalf of the entity to encumber indebtedness. If a borrower signs the loan closing documents (Note, Mortgage etc.) as an individual natural person (not on behalf of the entity) then a separate personal guarantee is not required.</li> </ul> </li> <li>• FlexPoint/BFF employees are prohibited from suggesting or encouraging the formation of an entity for the purpose of obtaining a mortgage loan.</li> <li>• Titles currently vested in individual name(s) or in the name of an existing legal entity but which will be closing in a newly formed entity must meet the following:           <ul style="list-style-type: none"> <li>• All members listed on title must apply for the loan; and</li> <li>• All individuals listed on title must be listed on the newly formed entity as members; and</li> <li>• All members must guarantee the loan based on the interest of the current vesting. For example, if the property is currently vesting in husband and wife as joint tenants, both must guarantee the loan regardless of the membership interest detailed in the newly formed entity</li> </ul> </li> <li>• Be an entity with natural person members</li> <li>• Be a U.S. based entity in good standing</li> </ul> <p><u>Business Entity Documentation Requirements:</u></p> <ul style="list-style-type: none"> <li>• Certificate of formation, filed articles of incorporation, including any and all amendments, if applicable, and a current listing of all ownership interests.           <ul style="list-style-type: none"> <li>• The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC, including but not limited to granting authority to the signor to encumber indebtedness on behalf of the entity.</li> </ul> </li> <li>• The credit file must include a clear OFAC check for all individuals holding 25% or more ownership in the entity. Ownership must be verified by a current and accurate listing of ownership interests.</li> <li>• Current Certificate of Good Standing dated within 12 months prior to note date.</li> <li>• The BFF underwriter certifies that the legal entity structure, ownership percentages, and managing members at closing are consistent with the loan file documentation.</li> </ul>

Cross Collateral – DSCR, continued

Cross Collateral - Continued	
<b>Ineligible Borrower/ Guarantors</b>	<ul style="list-style-type: none"> <li>• Life Estates</li> <li>• Irrevocable Trusts</li> <li>• Blind Trusts</li> <li>• Guardianships</li> <li>• Community Land Trusts</li> <li>• Land Trusts</li> <li>• Borrower/guarantors/business entities with any ownership in a business that is federally illegal, even though the income is not being considered for qualifying</li> <li>• Foreign Nationals</li> <li>• Non-profit organizations including, but not limited to 501(c)(3) and 501(c)(4)</li> <li>• Trusts or LLCs whose members include other LLCs, corporations, partnerships</li> <li>• Trusts or LLCs where a Power of Attorney is used</li> <li>• Borrower/guarantor(s) with Diplomatic Immunity status</li> </ul>
<b>Loan Documentation Requirements</b>	<ul style="list-style-type: none"> <li>• Business Purpose/Non-owner Occupancy Affidavit must be included in loan documentation.</li> <li>• Must provide a clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests.</li> <li>• Personal Guaranty (when closing in the name of a business entity)</li> <li>• 1-4 Family Rider (residential package) /Assignment of Rents Rider (commercial package)</li> <li>• All other business entity forms and requirements noted in the Eligibility section below (if applicable)</li> <li>• Must comply with all aspects of ECOA (please note that this includes the Right to Receive a Copy of the Appraisal Report Disclosure)</li> </ul>
<b>Non-Arm's Length</b>	<ul style="list-style-type: none"> <li>• A non-arm's length transaction exists whenever there is a personal or business relationship with any party to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party</li> <li>• If the seller is a relative, they must also document the most recent 12 months payment history on the property's existing mortgage, if any</li> <li>• Foreclosure bailouts are not allowed. Payoff statement and Verification of Mortgage (VOM) on subject required as verification</li> <li>• The following non-arm's length transactions are eligible:             <ul style="list-style-type: none"> <li>• Family sales or transfers</li> <li>• Assignment of contracts</li> <li>• Property seller acting as their own real estate agent</li> <li>• Relative of the property seller acting as the seller's real estate agent</li> <li>• Borrower/guarantor acting as their own real estate agent</li> <li>• Relative of the borrower/guarantor acting as the borrower/guarantor's real estate agent</li> <li>• Borrower/guarantor purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower/guarantor and landlord)</li> </ul> </li> </ul>
<b>Credit Requirements</b>	<ul style="list-style-type: none"> <li>• Tri-merged credit reports are required on all borrower/guarantor(s) dated within 120 days of loan origination             <ul style="list-style-type: none"> <li>• The representative score for each borrower/guarantor is:                 <ul style="list-style-type: none"> <li>• The middle score when three scores are obtained, or</li> <li>• The lower score when two scores are obtained</li> <li>• If only one score is obtained, the borrower/guarantor is ineligible</li> </ul> </li> </ul> </li> <li>• The representative score for the loan is the lowest representative score of the borrower(s) or guarantor(s), as applicable</li> <li>• Minimum 2 trade lines are acceptable if the borrower/guarantor has a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months and 1 additional open trade line</li> <li>• Each borrower/guarantor must meet the minimum trade line requirements</li> <li>• Authorized user accounts are not allowed as an acceptable trade line</li> <li>• Non-traditional credit is not allowed as an acceptable trade line</li> <li>• Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required</li> </ul>
<b>Fraud Report/ Background Check</b>	<ul style="list-style-type: none"> <li>• In addition to compliance with the OFAC and Exclusionary list policy as set forth in the Special Products Seller Guide, Section B707, all loans must include a third-party background check/fraud detection report for all borrowers/guarantor(s). Report findings must cover standard areas of quality control and be dated within 90 days of loan origination. In accordance with U.S. Treasury requirements for AML/BSA compliance, underwriters must also verify that all applicable parties are not citizens of or reside in a country identified by Financial Action Task Force (FATF) as being a high-risk jurisdiction or a jurisdiction with strategic deficiencies</li> <li>• All "high-level" and/or "red flag" alerts on the report must be addressed. A copy of the findings report from the vendor must be provided in the loan file with all "high-level" alerts, or "red flags" addressed and/or cleared by BFF's underwriter. If the underwriter cannot electronically access the fraud report to clear alerts within the fraud provider's system, an Underwriter's Certification from the seller is acceptable. The Certification must address each individual high alert/red flag and explain what actions were taken to satisfy the issues. It must be signed and dated by the underwriter. Underwriting staff or UWM may request additional documentation to address high fraud risk</li> <li>• If the borrower/guarantor is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower/guarantor's ability to repay, assets or collateral</li> <li>• If background check is not available, the seller must provide evidence of an unsuccessful return</li> <li>• Fraud checks must also include occupancy status to assist in the validation and endorsement of the Business Purpose &amp; Occupancy Affidavit</li> <li>• Background search may be from one of the suggested vendors below or another comparable industry recognized fraud and data vendor</li> <li>• A judgement and lien search must be included. Any material judgements/liens shown on background reporting may have proof of satisfaction requested</li> <li>• A combination of vendor reports may be used provided that together they fulfill the background search requirements             <ul style="list-style-type: none"> <li>• Lexis Nexis (i.e., SmartLinx Person Report); Checkpoint (i.e., Investigative Instant and/or Non-Instant Search); Pacer (Public Access to Court Electronic Records) or FraudGuard (Standard Fraud &amp; Loan Quality Report with added Lien and Judgement Module), DataVerify (Standard Fraud &amp; Loan Quality Report with added Lien and Judgement Module) or First American (TPR Vendor Management Suite)</li> </ul> </li> </ul>

Cross Collateral – DSCR, continued

Cross Collateral - Continued																	
<b>Housing History</b>	<ul style="list-style-type: none"> <li>Provide a 12-month housing history on the primary residence and the subject property, applicable to all borrower/guarantor/entity(s) on the loan               <ul style="list-style-type: none"> <li>Experienced borrowers with no primary housing history (rental or mortgage) are eligible provided they meet housing history requirements on the subject property(s)</li> </ul> </li> <li>Maximum 1x30x12 between all disclosed mortgages</li> <li>The mortgage history may be from the credit report, credit supplement or a third party verification service. If the mortgage holder is a party to the transaction or relative of the borrower/guarantor then cancelled checks or bank statements are required to verify a satisfactory mortgage history</li> <li>Borrower(s)/guarantor(s) mortgage credit history may not show evidence of a loss mitigation program, repayment plan, loan modification or payment deferral plan and must meet all additional requirements in forbearance section below.</li> </ul>																
<b>Significant Derogatory Credit</b>	<ul style="list-style-type: none"> <li>Bankruptcy, Chapter 7, 11, 13 - 3 years since discharge / dismissal date</li> <li>Foreclosure – 3 years since completion date</li> <li>Short Sale/Deed-in-Lieu - 3 years since completion / sale date</li> <li>Forbearance (refer to section below)</li> <li>Mortgage accounts that were settled for less, negotiated or short payoffs – 3 years since settlement date</li> <li>Loan modification – 3 years since modification date</li> <li>Notice of Default – 3 years</li> <li>NOD's on short term bridge loans with hard maturities not allowed.</li> <li>Multiple derogatory credit events require a 7-year seasoning period</li> <li>A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event</li> <li>A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event</li> <li>Medical collections are allowed to remain outstanding if the balance is less than \$10,000 in aggregate</li> <li>Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing</li> <li>Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts</li> <li>Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full</li> </ul>																
<b>Forbearance</b>	<ul style="list-style-type: none"> <li>Any forbearance resulting in a subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a 3 year waiting period</li> <li>Any loan(s) shown to be in active forbearance is considered a significant derogatory credit event and is ineligible</li> <li>If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event</li> <li>Loan file must contain a letter of explanation from the borrower/guarantor detailing the reason for forbearance and that the hardship no longer exists</li> </ul>																
<b>Debt Service Coverage Ratio (DSCR)</b>	<p><u>Debt Service Coverage Ratio (DSCR):</u></p> <ul style="list-style-type: none"> <li>The DSCR is calculated by taking the gross rents divided by the PITIA of the subject property           <ul style="list-style-type: none"> <li>Interest-only loans may use the ITIA payment for DSCR calculation – see Interest only section for minimum DSCR requirement and additional details</li> </ul> </li> <li>Use the real estate taxes listed on the title policy or a current real estate tax bill converted into a monthly payment</li> <li>Use the insurance premium that is listed on the approved insurance certificate converted into a monthly payment</li> <li>Use the Association fees (if applicable) that is listed as the monthly amount on the appraisal or current homeowner association statement</li> </ul> <p><u>Gross Rent Requirements (see Short-Term Rentals below, if applicable):</u></p> <ul style="list-style-type: none"> <li><b>Purchase:</b> <ul style="list-style-type: none"> <li>Obtain Appraisal Form 1007/1025 and use 100% of the gross market rent in DSCR calculation               <ul style="list-style-type: none"> <li>In cases where the purchase contract clearly states that the existing lease agreement will be assigned to the borrower at closing, then the gross rent used in the DSCR calculation is the lesser of the lease agreement or the market rent (from appraisal form 1007/1025). If the lease agreement is greater than the market rent but is ≤ 10% over the market rent, then the lease amount can be used for qualifying, however the amount used to qualify cannot exceed 10% over the market rent</li> </ul> </li> </ul> </li> <li><b>Refinance:</b> <ul style="list-style-type: none"> <li>Obtain both a current lease agreement and Appraisal Form 1007/1025. 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 or per local statutes is still current is allowed</li> <li>Gross rent used in the DSCR calculation is the lesser of the lease agreement or the market rent (from appraisal form 1007/1025). If the lease agreement is greater than the market rent but is ≤ 10% over the market rent, then the lease amount can be used for qualifying, however the amount used to qualify cannot exceed 10% over the market rent</li> </ul> </li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Example #1: Actual Rent is 20% above Market</th> <th colspan="2" style="text-align: center;">Example #2 – Actual Rent is 5% Above Market</th> </tr> </thead> <tbody> <tr> <td>Actual rent per lease agreement</td> <td style="text-align: center;">\$1200</td> <td>Actual rent per lease agreement</td> <td style="text-align: center;">\$1050</td> </tr> <tr> <td>Market rent per appraisal form 1007/1025</td> <td style="text-align: center;">\$1000</td> <td>Market rent per appraisal form 1007/1025</td> <td style="text-align: center;">\$1000</td> </tr> <tr> <td>Allowable amount for qualifying</td> <td style="text-align: center;">\$1100</td> <td>Allowable amount for qualifying</td> <td style="text-align: center;">\$1050</td> </tr> </tbody> </table>	Example #1: Actual Rent is 20% above Market		Example #2 – Actual Rent is 5% Above Market		Actual rent per lease agreement	\$1200	Actual rent per lease agreement	\$1050	Market rent per appraisal form 1007/1025	\$1000	Market rent per appraisal form 1007/1025	\$1000	Allowable amount for qualifying	\$1100	Allowable amount for qualifying	\$1050
Example #1: Actual Rent is 20% above Market		Example #2 – Actual Rent is 5% Above Market															
Actual rent per lease agreement	\$1200	Actual rent per lease agreement	\$1050														
Market rent per appraisal form 1007/1025	\$1000	Market rent per appraisal form 1007/1025	\$1000														
Allowable amount for qualifying	\$1100	Allowable amount for qualifying	\$1050														

Cross Collateral – DSCR, continued

Cross Collateral - Continued	
<b>Lease Requirements</b>	<ul style="list-style-type: none"> <li>Leases must Be fully executed by both an Eligible Tenant and the borrower/guarantor(s) or their verified property manager (as landlord(s))               <ul style="list-style-type: none"> <li>Eligible Tenant: An eligible tenant is any party other than any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding</li> </ul> </li> <li>Have a unit rental rate, and terms consistent with rates and terms prevailing in the local market where the property is located</li> <li>Be on a form that is customary to the area the property is located in and comply with all applicable legal requirements in all material respects (including all required disclosures)</li> <li>Cover 100% of the square footage of the applicable residential unit</li> <li>No borrower/guarantors (or owners of the borrower/guarantor if the borrower/guarantor is an LLC) or their Immediate family members may be a lessee</li> <li>Lease with purchase option not permitted</li> <li>Rent to own and/or contract for deeds are ineligible</li> <li>All tenants on leases must be natural persons.</li> </ul>
<b>Asset Requirements</b>	<ul style="list-style-type: none"> <li>Two (2) most recent months account statements from either the borrower/guarantor/primary guarantor or the borrowing entity, as applicable (including inter vivos revocable trust assets), must be provided.</li> <li>The asset verification must provide sixty (60) days of account activity and include all items normally indicated on bank statements.</li> </ul>
<b>Reserves Requirements</b>	<ul style="list-style-type: none"> <li>3 months PITIA for subject property.</li> <li>Cash out may be utilized for reserves if FICO &gt; 700</li> <li>Gift funds are not permitted.</li> <li>Funds utilized for down payment and closing costs cannot be included in reserve funds.</li> <li>Interest Only – Reserves should be based on the ITIA payment</li> </ul>
<b>Interested Party Contributions</b>	<ul style="list-style-type: none"> <li>Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction.</li> <li>The following restrictions for interested party contributions apply:           <ul style="list-style-type: none"> <li>May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves</li> <li>Maximum interested party contribution is limited to 2% of the purchase price</li> </ul> </li> </ul>
<b>Seller Concessions</b>	<ul style="list-style-type: none"> <li>All seller concessions must be addressed in the sales contract, appraisal and settlement statement. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, Interested Party Contributions) or any amounts not being used for closing costs or prepaid expenses</li> <li>If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculating the LTV</li> </ul>
<b>Personal Property</b>	<ul style="list-style-type: none"> <li>Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal</li> <li>If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV</li> </ul>
<b>Property Requirements</b>	<ul style="list-style-type: none"> <li>Properties with leased solar panels are not allowed</li> <li>All units/properties must have a functioning kitchen and bathroom</li> <li>Properties must meet the following minimum square footage:           <ul style="list-style-type: none"> <li>1 unit: 700 square feet</li> <li>Condominium: 500 square feet</li> <li>2-4 unit: 400 square feet per unit</li> </ul> </li> </ul>
<b>Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>Assisted living facilities, nursing homes or any arrangement where the unit owner or tenant contracts for a commitment for resident or tenant care</li> <li>Community Land Trusts; Tenants in common vesting; Tenants-In-Common projects (TICs); Cooperatives; Condotels or time-shares; Non warrantable condo; Lease with purchase option properties.</li> <li>Manufactured/Mobile Homes, Mixed-Use Properties; 5+ units and Model Home Leasebacks</li> <li>Properties &gt; 2 acres</li> <li>Unique properties or ADU</li> <li>Rural Properties.</li> <li>Properties not easily accessible by roads that meet local standards</li> <li>Working farms, ranches or orchards.</li> </ul>
<b>Appraisal Transfers</b>	<ul style="list-style-type: none"> <li>Appraisal transfers are permitted. All appraisal transfers must meet the following requirements:           <ul style="list-style-type: none"> <li>Appraisal must be in the name of the transferring lender</li> <li>Transfer letter from transferring lender               <ul style="list-style-type: none"> <li>Must be on company letterhead</li> <li>Borrower name and address must be included</li> <li>Must be executed by an authorized member of the company. The printed name and signature of lender's representative, title and date is required. Appraisal transfer letters signed by loan officers or loan processors will not be acceptable</li> </ul> </li> <li>Statement from the transferring lender that the appraisal was prepared in compliance with Appraisal Independence Requirements</li> <li>Paid invoice</li> <li>Proof that original appraisal report was provided to the borrower</li> <li>CDA is required. A CU score is not permitted to be used to meet appraisal review requirements</li> </ul> </li> </ul>
<b>Rent Loss Insurance</b>	<ul style="list-style-type: none"> <li>Proof of rent loss insurance for the subject property is required. This is in addition to all other insurance requirements per the Guide.</li> </ul>

Cross Collateral – DSCR, continued

**Cross Collateral - Continued**

**Appraisal Requirements**

- 2nd Appraisal required for loans > \$2,000,000.
- Use the example below as a guide for calculating pro rata loan amounts to determine appraisal requirements

Assumption:

Blanket loan secured by 3 properties and total blank loan amount \$5MM

Step 1: Determine pro rata allocation for each property based on the value of each property used to calculate LTV. For property #2, the allocation percentage is calculated as \$3,000,000 divided by \$7,000,000 = 42.86%

Property	Appraised Value	Allocation Based on Total Appraised Values
1	\$2,000,000	28.57%
2	\$3,000,000	42.86%
3	\$2,000,000	28.57%
Total	\$7,000,000	100.00%

Step 2: Determine the pro rata loan amount for each property by multiplying the individual property's pro rata allocation percentage times the total blanket loan amount. For property #2, the pro rata loan amount is calculated as \$5,500,000 X 42.86% = \$2,357,300. Property #2 would therefore require two appraisals

Properties #1 and #3 both have individual pro rata loan amounts of \$1,571,350 (\$5,500,000 X 28.57%). Properties #1 and #3 would both require one full appraisal

Valuation Criteria

- The interior appraisals must be on the applicable form required by the Fannie Mae Guidelines for 1-4 family properties. Currently those forms are FNMA 1004/FH 70 (1 Family), FNMA 1073/FH 465 (Individual Condo), or FNMA 1025/FH 72 (2-4 Family)
- Appraisal market rent estimates must be based on an annual lease for residential purposes and must be on the applicable form required by the Fannie Mae Guidelines. Currently those forms are FNMA 1007 (1 Family) or FNMA 1025 (2-4 Family). Short term or specialized use rental rates are not acceptable for use as market rent
- Comparable sales should be selected from the same neighborhood when possible. Use of comparable sales that are located in competing neighborhoods is permissible to the extent that they may be the best comparables available and the most appropriate for the appraiser's analysis. If this situation arises, the appraiser must not expand the neighborhood boundaries just to encompass the comparables selected. The appraiser must indicate the comparables are from a competing neighborhood and address any differences that exist. The appraiser must also provide an explanation as to why they used the specific comparable sales in the appraisal report and include a discussion of how a competing neighborhood is comparable to the subject neighborhood. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser
- The originator must review the valuation to ensure that the value is well supported by the evidence in the appraisal or residential evaluation and by the comparable transactions.
  - The appraiser must inspect the exterior of the property and provide a photo
  - Appraisers must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required
- A market rent comparable schedule (FNMA 1007 or 1025) must be provided
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- When two (2) appraisals are required, the following applies:
  - Appraisals must be completed by two (2) independent companies
  - The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled
  - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is based upon

Third-Party Review

- Collateral Desktop Analysis (CDA) ordered from Clear Capital, a Consolidated Collateral Analysis (CCA XP) ordered from Consolidated Analytics or a Collateral Underwriter (CU) score of 2.5 or less is required to support the value of the appraisal. BFF underwriter will be ordering the CDA or CCA XP if needed.
  - If the CDA/CCA XP returns a value that is "Indeterminate" then one (1) of the following requirements must be met:
    - A Clear Capital or Consolidated Analytics BPO (Broker Price Opinion) and Value Reconciliation of the three Reports is required. The Value Reconciliation will be used for the appraised value of the property.
    - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property.
  - If the CDA/CCA XP indicates a lower value than the appraised value that exceeds a 10% tolerance, the lower value of the two must be used.



BROKERS FIRST FUNDING

Rev. 02/23/26.V2

Cross Collateral – DSCR, continued

Cross Collateral - Continued		
<b>Maximum Financed Exposure</b>	<ul style="list-style-type: none"> <li>Borrower/guarantor(s)/entities are limited to a maximum of \$6,250,000 in aggregate with FlexPoint Inc. dba Broker First Funding (BFF)</li> </ul>	
<b>Properties Listed For Sale</b>	<ul style="list-style-type: none"> <li>Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.               <ul style="list-style-type: none"> <li>If a property is discovered to be for sale prior to closing or purchasing, the loan will be deemed ineligible.</li> </ul> </li> <li>Properties listed for sale within 6 months of the application date are acceptable if the following requirements are met:               <ul style="list-style-type: none"> <li>Documentation provided to show cancellation of listing</li> <li>The value will be based on the lesser of the lowest list price or appraised value</li> <li>Must include a minimum pre-payment penalty of two or more years (if a pre-payment penalty is not permitted due to state statutes, transaction would be ineligible until greater than six months since the cancellation of the listing)</li> </ul> </li> </ul>	
<b>Escrow Waivers</b>	<ul style="list-style-type: none"> <li>Escrow waivers are permitted and must meet the following criteria:               <ul style="list-style-type: none"> <li>Minimum 720 FICO</li> <li>Minimum 12 months of reserves (based on PITIA or ITIA, as applicable)</li> <li>Pricing adjustment will be applied</li> <li>Present taxes and insurance payments must be current</li> <li>Flood insurance not eligible for escrow waiver</li> </ul> </li> </ul>	
<b>Pre-Payment Penalties</b>	<ul style="list-style-type: none"> <li>Acceptable structures include the following:</li> <li>Six (6) months of interest in prepayments not available.</li> <li>5% fixed up to 5-years Prepayment periods up to 5-Years eligible, see rate sheet.</li> <li>If included properties are located in multiple states, follow the most conservative state PPP restriction</li> </ul>	<ul style="list-style-type: none"> <li>Prepayment Penalty - See the Resource Center for details.</li> </ul>