

## NQM Investor Program – Underwriting Guidelines

### Program Qualifications

This program is designed for experienced real estate investors and qualifies borrowers based on cash-flows solely from the subject property. First Time Home Buyer is not allowed. Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months. Proof of this investor experience must be in loan file.

**NOTE:** Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are ineligible for any NQM Series programs.

# INVESTOR

## PREMIER

### PROGRAM REQUIREMENTS (Pricing Enhancement)

- 680 score minimum
- Minimum DSCR of **1.15**
- Minimum 4 years since major derogatory
  - Bankruptcy, Foreclosure, Short Sale, Deed-in-Lieu, Mortgage Charge-off
- 0x30x24 months mortgage lates (i.e., none in last 2 years on any property)
- 6 months' minimum reserves or standard guidelines, whichever is greater
- May not use proceeds from a cash-out refinance of subject property for reserves
- Reserves may not be waived (includes normal reserves and reserves for additional properties)

### Investment Property

Purchase and Rate & Term Refinance <sup>2</sup>				Cash-Out Refinance <sup>1,2</sup>			
Units	Credit Score	LTV / CLTV / HCLTV <sup>1</sup>	Max Loan Amount	Units	Credit Score	LTV / CLTV / HCLTV <sup>3</sup>	Max Loan Amount
1-4	720	80%	\$1,250,000	1-4	720	75%	\$1,000,000
		75%	\$1,500,000			70%	\$1,250,000
		70%	\$1,750,000			65%	\$1,500,000
		65%	\$2,000,000			60%	\$1,750,000
		60%	\$2,500,000			55%	\$2,000,000
	680	80%	\$1,000,000		680	70%	\$1,000,000
		75%	\$1,250,000			65%	\$1,250,000
		70%	\$1,500,000			60%	\$1,500,000
		65%	\$1,750,000			55%	\$1,750,000
		60%	\$2,000,000			50%	\$2,000,000
	640	75%	\$1,000,000		640	70%	\$750,000
		70%	\$1,250,000			65%	\$1,000,000
		65%	\$1,500,000			60%	\$1,250,000
		60%	\$1,750,000			55%	\$1,500,000
		55%	\$2,000,000			50%	\$1,750,000
	600	70%	\$750,000		600	65%	\$750,000
		65%	\$1,000,000			60%	\$1,000,000
		60%	\$1,250,000			55%	\$1,250,000
		55%	\$1,500,000			50%	\$1,500,000
		50%	\$1,750,000			45%	\$1,750,000

**Footnotes:**

- 1 Proceeds from cash out refinances must be used for business purposes only.
- 2 No Right of Rescission required on refinances.
- 3 HELOC Combined Loan to Value (HCLTV) uses the full line amount for HCLTV calculation, regardless of amount drawn.

**\*\*\*Minimum Loan Amount for all transaction and occupancy types is \$100,000.**

## NQM Investor Program – Underwriting Guidelines

### Product Codes

#### Fully Amortizing - Standard

Product Code	Hybrid ARM
IA51IN	NQM Investor 5/1 LIBOR ARM
IA71IN	NQM Investor 7/1 LIBOR ARM
IA101IN	NQM Investor 10/1 LIBOR ARM
Fixed	Product Code
IF15IN	NQM Investor 15 Year Fixed
IF30IN	NQM Investor 30 Year Fixed

#### Fully Amortizing - Premier

Product Code	Hybrid ARM
IA51INPR	NQM Investor 5/1 LIBOR ARM
IA71INPR	NQM Investor 7/1 LIBOR ARM
IA101INPR	NQM Investor 10/1 LIBOR ARM
Fixed	Product Code
IF15INPR	NQM Investor 15 Year Fixed
IF30INPR	NQM Investor 30 Year Fixed

#### Interest Only - Standard

Product Code	Hybrid ARM
IA51INIO	NQM Investor 5/1 LIBOR ARM Interest Only
IA71INIO	NQM Investor 7/1 LIBOR ARM Interest Only
IA101INIO	NQM Investor 10/1 LIBOR ARM Interest Only

#### Interest Only - Premier

Product Code	Hybrid ARM
IA51INPRIO	NQM Investor 5/1 LIBOR ARM Interest Only
IA71INPRIO	NQM Investor 7/1 LIBOR ARM Interest Only
IA101INPRIO	NQM Investor 10/1 LIBOR ARM Interest Only

### Eligibility Requirements

<b>Adjustable Rate Details</b>	<table border="1"> <tr> <td><b>Interest Rate</b></td> <td>5/1, 7/1 &amp; 10/1 ARM</td> </tr> <tr> <td><b>Adjustment Caps</b></td> <td>Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up</td> </tr> <tr> <td><b>Margin</b></td> <td>See rate sheet</td> </tr> <tr> <td><b>Index</b></td> <td>1-Year LIBOR (London InterBank Offer Rate)</td> </tr> <tr> <td><b>Index Establish Date</b></td> <td>45 days prior to the change date (aka "look back period")</td> </tr> <tr> <td><b>Interest Rate Floor</b></td> <td>Note Start Rate</td> </tr> <tr> <td><b>Conversion Option</b></td> <td>None</td> </tr> <tr> <td><b>Assumption</b></td> <td>ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)</td> </tr> <tr> <td><b>Negative Amortization</b></td> <td>None</td> </tr> <tr> <td><b>Interest Only Option</b></td> <td>Interest Only Option available for fixed period of ARMs</td> </tr> <tr> <td><b>Notes / Riders</b></td> <td>Correspondent Sellers: See correspondent website "Forms and Resources/NQM Documents/Quick Reference Document Form Requirements" for specifics.</td> </tr> </table>	<b>Interest Rate</b>	5/1, 7/1 & 10/1 ARM	<b>Adjustment Caps</b>	Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up	<b>Margin</b>	See rate sheet	<b>Index</b>	1-Year LIBOR (London InterBank Offer Rate)	<b>Index Establish Date</b>	45 days prior to the change date (aka "look back period")	<b>Interest Rate Floor</b>	Note Start Rate	<b>Conversion Option</b>	None	<b>Assumption</b>	ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)	<b>Negative Amortization</b>	None	<b>Interest Only Option</b>	Interest Only Option available for fixed period of ARMs	<b>Notes / Riders</b>	Correspondent Sellers: See correspondent website "Forms and Resources/NQM Documents/Quick Reference Document Form Requirements" for specifics.
<b>Interest Rate</b>	5/1, 7/1 & 10/1 ARM																						
<b>Adjustment Caps</b>	Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up																						
<b>Margin</b>	See rate sheet																						
<b>Index</b>	1-Year LIBOR (London InterBank Offer Rate)																						
<b>Index Establish Date</b>	45 days prior to the change date (aka "look back period")																						
<b>Interest Rate Floor</b>	Note Start Rate																						
<b>Conversion Option</b>	None																						
<b>Assumption</b>	ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)																						
<b>Negative Amortization</b>	None																						
<b>Interest Only Option</b>	Interest Only Option available for fixed period of ARMs																						
<b>Notes / Riders</b>	Correspondent Sellers: See correspondent website "Forms and Resources/NQM Documents/Quick Reference Document Form Requirements" for specifics.																						
<b>Age of Documentation</b>	<p>Credit documents (inclusive of credit reports, employment, income, and asset documentation) and title reports must be no more than 120 days old on the note date. When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement. For example, when two consecutive monthly bank statements are used to verify a depository asset, the date of the most recent statement must be no more than 120 days old on the note date. If the credit documents are older than allowed, they must be updated.</p> <p>Appraisal Reports and Appraisal Updates must be dated within 120 days from note date. If older than 120 days from note date, but within the preceding 12 months from note date, the Appraisal Report may be used with an acceptable recertification of value completed on <a href="#">Appraisal Update and/or Completion Report (Form 1004D)</a>. An Appraisal Update and/or Completion Report must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal.</p> <ul style="list-style-type: none"> <li>If the appraiser indicates on the Form 1004D that the property value has declined, then the lender must obtain a new appraisal for the property.</li> <li>If the appraiser indicates on the Form 1004D that the property value has <i>not</i> declined, then the lender may proceed with the loan in process without requiring any additional fieldwork.</li> </ul> <p><b>Note:</b> The appraisal update must occur within the 120 days that precede the date of the note and mortgage</p> <p>The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used.</p>																						

## NQM Investor Program – Underwriting Guidelines

<b>Appraisal Requirements</b>	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Loan Amount</th> <th style="padding: 5px;">Appraisal Requirement</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">≤ \$1,500,000</td> <td style="padding: 5px;">One Full Appraisal</td> </tr> <tr> <td style="padding: 5px;">&gt; \$1,500,000</td> <td style="padding: 5px;">Two Full Appraisals</td> </tr> </tbody> </table> <p style="margin-top: 10px;"><u>Additional Collateral Valuation Requirements (when a second appraisal is not obtained):</u></p> <ul style="list-style-type: none"> <li>• <u>Option 1:</u> A Fannie Mae Collateral Underwriter (CU) appraisal review that meets the following: <ul style="list-style-type: none"> <li>○ 1-unit property only (this is a CU limitation)</li> <li>○ CU Risk Score ≤ 2.5</li> </ul>                     When the above requirements are met, an ARR or CDA in Option 2 below is not required.                 </li> <li>• <u>Option 2:</u> A Pro Teck Valuation Services Appraisal Risk Review (ARR) <b>OR</b> a Clear Capital Collateral Desktop Analysis (CDA) from an approved vendor is required and must support the value within no more than 10% below the appraised value.</li> </ul> <p style="margin-top: 10px;">If the ARR/CDA is higher than the appraised value or less than 10% below the appraised value, use the appraised value for LTV purposes. If the ARR/CDA is more than 10% below the appraised value, then a second appraisal is required whereby the lower of the two values must be utilized for LTV purposes.</p> <p style="margin-top: 10px;">When two full appraisals are obtained, use the lesser value for LTV purposes.</p> <p style="margin-top: 10px;">For refinance transactions, the subject property must not be currently listed for sale. It must be taken off the market on or before the note date of the new mortgage loan. The borrower must confirm their intent to occupy the subject property (for primary residence transactions).</p>	Loan Amount	Appraisal Requirement	≤ \$1,500,000	One Full Appraisal	> \$1,500,000	Two Full Appraisals
Loan Amount	Appraisal Requirement						
≤ \$1,500,000	One Full Appraisal						
> \$1,500,000	Two Full Appraisals						
<b>Borrower Eligibility</b>	<p><u>Eligible:</u></p> <ul style="list-style-type: none"> <li>• U.S. Citizens</li> <li>• Permanent Resident Aliens</li> <li>• Inter Vivos Revocable Trust</li> <li>• U.S. Based LLC's</li> <li>• Privacy Trusts (considered on case-by-case basis)</li> </ul> <p><u>Ineligible:</u></p> <ul style="list-style-type: none"> <li>• Borrowers with a <u>U.S. student visa</u>. Student visa types include: F Visa (e.g., F-1, F-2, F-3), J Visa (e.g., J-1, J-2), and M Visa (e.g., M-1, M-2, M-3).</li> <li>• Non-Permanent Resident Aliens</li> <li>• Foreign Nationals</li> <li>• Land Trusts</li> <li>• Partnerships and Corporations</li> <li>• Nominee or Blind Trusts</li> </ul>						
<b>Business Funds</b>	<p>Business funds are an acceptable source for down payment, closing costs, and reserves for self-employed borrowers. Ownership percentage and authority to access funds must be documented via CPA Letter, Operating Agreement or equivalent. The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of the business assets allowed for the transaction. Large deposits must be sourced to validate the funds are eligible.</p>						
<b>Credit</b>	<p><u>Tradeline Requirements (for borrowers who contribute income or assets in loan qualification):</u></p> <ul style="list-style-type: none"> <li>• Minimum of 3 trade lines.</li> <li>• Trade lines may be open or closed, with one seasoned trade line having a minimum 24-month rating and one trade line with at least a \$5,000 high credit limit.</li> <li>• The seasoning and high credit limit requirements may be met with the same trade line.</li> <li>• Authorized user trade lines are not eligible for any portion of the credit requirement.</li> <li>• When spouse is co-borrower only one borrower is required to have the credit depth listed above.</li> </ul> <p style="margin-top: 10px;"><u>Mortgage/Rental Lates:</u> Maximum 1x30 in the last 12 consecutive months</p> <ul style="list-style-type: none"> <li>• Applies to all mortgages on all properties. Mortgages that do not appear on credit require a VOM from an institutional lender. Otherwise, private party VOM's must be substantiated by 12 months cancelled checks or bank statements. Mortgages not rated on credit must adhere to the following requirements: <ul style="list-style-type: none"> <li>○ Maximum 0x30 in months 1-6</li> <li>○ Maximum 1x30 in months 7-12</li> </ul> </li> <li>• When documenting rental payment history, a Verification of Rent (VOR) from a third party management company is required. If the VOR is from a private party, cancelled checks or bank statements are required to support the VOR.</li> <li>• <b>For the Premier option a private party VOR or VOM must confirm housing payment history of 0x30 for the most recent 24 months. However, cancelled checks or bank statements for only the most recent 12 months are required to substantiate the VOR/VOM.</b></li> <li>• For borrowers who currently own all property free and clear there is no mortgage/rent history requirement provided any closed mortgages meet the 1x30 requirement in the last 12 months.</li> </ul>						

## NQM Investor Program – Underwriting Guidelines

	<ul style="list-style-type: none"> <li>Free and clear ownership counts as 0x30 for all months owned free and clear.</li> </ul> <p>The charts below detail housing payment history requirements for First Time Homebuyers and Non-First Time Homebuyers (i.e. had ownership interest in property at some point in the last 3 years). The left column details the Standard payment history requirement. The right column details restrictions when the Standard requirement cannot be met. In other words, the Standard requirement is not met when the borrower cannot document a verifiable housing payment history spanning the most recent and consecutive 12 months (e.g. borrower's history is less than 12 months or there is no verifiable history during the last 12 months). In all cases, Standard or not, housing payment history cannot exceed 1x30 in the last 12 consecutive months.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">First Time Homebuyer (No Ownership Last 3 Years)</th> </tr> <tr> <th style="width: 50%;">Standard Requirement (Housing History Satisfied)</th> <th style="width: 50%;">Standard Requirement Not Met (Missing or &lt; 12 Months Housing History)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Ineligible</td> <td style="text-align: center;">Ineligible</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Non-First Time Homebuyer (Ownership within Last 3 Years)</th> </tr> <tr> <th style="width: 50%;">Standard Requirement (Housing History Satisfied)</th> <th style="width: 50%;">Standard Requirement Not Met (Missing or Short Housing History)</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li><u>VOM/VOR</u>: Max 1x30x12, <u>and</u></li> <li>Payment history for the most recent and consecutive 12 months prior to application required.</li> </ul> </td> <td style="text-align: center;">Minimum 680 FICO</td> </tr> </tbody> </table> <p><u>Bankruptcy (Ch. 7, 11 and 13), Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts</u>: None in last 2 years. If ≥ 2 years and &lt; 4 years, max 70% LTV or existing guidelines, whichever is lower.</p> <p><u>Foreclosure</u>: None in the last 3 years. If ≥ 3 years and &lt; 4 years, max 70% LTV or existing guidelines, whichever is lower.</p> <p><u>Judgment/Tax Lien/Collections/Charge-Offs</u>:</p> <ul style="list-style-type: none"> <li>Judgments and Tax Liens on title must be paid. If there is evidence in the file of judgments and/or tax liens and they are not on title, cumulative balances exceeding \$5000 must be paid. Pay down of cumulative balances to \$5000 or below is allowed.</li> <li>Medical collections are excluded regardless of amount</li> <li>Any new charge-offs or non-medical collections within the last 12 months greater than \$1,000 per trade line, or the cumulative amount is greater than \$2,000, must be paid off.</li> </ul> <p><u>Disputed Accounts</u>: Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date:</p> <ul style="list-style-type: none"> <li>If the disputed account(s) has no derogatory information – the underwriter must evaluate for acceptability and address their decision on the 1008.</li> <li>If the disputed account(s) has derogatory information – the dispute must be removed and a new credit report must be pulled.</li> </ul> <p><u>Frozen Credit</u>: If the borrower's credit is frozen at one of the credit repositories, the credit report is still acceptable as long as:</p> <ul style="list-style-type: none"> <li>Credit data is available from two repositories,</li> <li>A credit score is obtained from at least one of those two repositories, and</li> <li>A three in-file merged report was requested.</li> </ul> <p>Loans for borrowers with credit data frozen at two or more of the credit repositories are not eligible.</p> <p><u>Authorized User Accounts</u>: The underwriter may make the determination that an authorized user account(s) has an insignificant impact on the borrower's overall credit history and the information on the credit report is representative of the borrower's own credit reputation. The underwriter should base their determination on the number of the borrower's own tradelines, as well as their age, type, size and the payment history, as compared to the authorized user account(s). The underwriter must document their determination on the 1008.</p>	First Time Homebuyer (No Ownership Last 3 Years)		Standard Requirement (Housing History Satisfied)	Standard Requirement Not Met (Missing or < 12 Months Housing History)	Ineligible	Ineligible	Non-First Time Homebuyer (Ownership within Last 3 Years)		Standard Requirement (Housing History Satisfied)	Standard Requirement Not Met (Missing or Short Housing History)	<ul style="list-style-type: none"> <li><u>VOM/VOR</u>: Max 1x30x12, <u>and</u></li> <li>Payment history for the most recent and consecutive 12 months prior to application required.</li> </ul>	Minimum 680 FICO
First Time Homebuyer (No Ownership Last 3 Years)													
Standard Requirement (Housing History Satisfied)	Standard Requirement Not Met (Missing or < 12 Months Housing History)												
Ineligible	Ineligible												
Non-First Time Homebuyer (Ownership within Last 3 Years)													
Standard Requirement (Housing History Satisfied)	Standard Requirement Not Met (Missing or Short Housing History)												
<ul style="list-style-type: none"> <li><u>VOM/VOR</u>: Max 1x30x12, <u>and</u></li> <li>Payment history for the most recent and consecutive 12 months prior to application required.</li> </ul>	Minimum 680 FICO												
<b>Escrow Accounts / Impounds</b>	Impounds are not required unless either of the following: <ul style="list-style-type: none"> <li>The loan is a higher-priced mortgage loan (HPML) transaction. HPML transactions require a minimum 5 year escrow period (CFPB TILA Escrow Rule).</li> <li>Flood insurance is required (i.e. impounds for flood insurance are required if subject in a flood zone)</li> </ul>												
<b>Escrow Holdbacks</b>	Not permitted												
<b>Geographical Locations/Restrictions</b>	All states (including DC) are eligible for all channels except for: <ul style="list-style-type: none"> <li><u>Correspondent</u>: None</li> <li><u>Retail</u>: CT, DE, MA, MD, ME, NY</li> <li><u>Wholesale</u>: DE, MA, ME, RI, WY</li> <li>Interest Only loans are <u>not</u> allowed in Illinois (all channels)</li> </ul>												

## NQM Investor Program – Underwriting Guidelines

<p><b>Gift Funds / Gifts of Equity</b></p>	<p>State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.</p> <p><u>Gift Funds Eligibility:</u></p> <ul style="list-style-type: none"> <li>Allowed for paying off debt, equity contribution refinances, and for closing costs and down payments.</li> </ul> <p><u>Gift Funds for Reserves:</u> Not permitted</p> <p><u>Gift Funds and Borrower Contributions:</u></p> <ul style="list-style-type: none"> <li>If the borrower does not contribute 5% of their own funds for down payment, a 10% reduction in maximum LTV is required.</li> </ul> <p><u>Gift of Equity:</u></p> <ul style="list-style-type: none"> <li>Allowed at <math>\leq 75\%</math> LTV</li> <li>Gifts of equity are allowed on sales between immediate family members for existing properties only.</li> <li>A signed gift letter is required for all gift funds and gifts of equity. Transfer of funds or evidence of receipt must be documented prior to or at closing.</li> </ul> <p><u>Acceptable Gift Fund and Gift of Equity Donors:</u></p> <ul style="list-style-type: none"> <li>Borrower's spouse, child, or other dependent</li> <li>Any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or the borrower's fiancé, fiancée, or domestic partner.</li> <li>The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.</li> </ul>
<p><b>Income</b></p>	<p>Loans qualified under NQM Investor are classified as business loans. Appendix Q and ATR requirements do not apply. A traditional DTI is not calculated for NQM Investor, and a 4506T is <u>NOT</u> required. Rather, income used to qualify the borrower is based upon cash flow from the property. As such, a Debt Service Coverage Ratio (DSCR) is calculated in order to determine if the borrower qualifies.</p> <p><u>Debt Service Coverage Ratio (DSCR):</u></p> <ul style="list-style-type: none"> <li>The DSCR is calculated by taking 100% of the gross rents divided by the PITIA of the subject property.</li> <li>Use the Note Rate to calculate PITIA for fully amortizing loans (fixed and ARM). For interest only loans, use the interest only payment based on the Note Rate.</li> <li>Minimum DSCR for all transaction types = 1.0 (i.e. subject property PITIA can never exceed the gross rent).</li> <li>Loans where the borrower lacks requisite experience managing investment property require a minimum DSCR of 1.25 (see <i>Experience Managing Investment Property</i> below).</li> </ul> <p><u>Gross Rent Requirements:</u></p> <ul style="list-style-type: none"> <li><u>Purchase:</u> Obtain Appraisal Form 1007 and use gross market rent in DSCR calculation.</li> <li><u>Refinance:</u> Obtain both a current lease agreement and Appraisal Form 1007. 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. Gross market rent used in the DSCR calculation must come from the <u>lesser</u> of the lease agreement or Appraisal Form 1007. However, if the lease agreement is higher than the gross market rent on Appraisal Form 1007, gross market rent from the lease agreement may be used provided the following requirements are met: <ul style="list-style-type: none"> <li>Lease agreement is within 10% variance of the market rent on Appraisal Form 1007.</li> <li>Lease agreement is <math>&gt; 10\%</math> but <math>\leq 25\%</math> variance of the market rent on Appraisal Form 1007 <u>AND</u> the borrower provides the most recent 3 months cancelled checks/bank statements to support the lease amount.</li> <li>For variances exceeding 25%, market rent from the lease agreement may be used up to a 25% variance provided the borrower provides the most recent 3 months cancelled checks/bank statements to support the lease amount.</li> <li>Market rent on Appraisal Form 1007 can never be used if higher than the lease agreement.</li> </ul> </li> </ul> <p><u>Note:</u> If refinancing a vacant property that will not be collecting rents prior to the 1st payment of the subject loan, a 20% Vacancy Factor must be applied to the gross market rent on Appraisal Form 1007 prior to calculating the DSCR.</p> <p><u>Short-Term Rentals:</u> 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. Short-term rentals are permitted. Proof of receipt for the most recent 12 months is required. Use documented 12 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that month.</p> <p><u>Experience Managing Investment Property:</u> Borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 6 months in the last 3 years. An example of evidence includes a CPA letter confirming that a prior Schedule E was filed and reflected rental property, the year the tax return was filed, and identification of the</p>

## NQM Investor Program – Underwriting Guidelines

	<p>investment property address filed on Schedule E. In conjunction, a property profile report should be obtained to confirm the borrower had ownership of the investment property identified by the CPA.</p> <ul style="list-style-type: none"> <li>If the above requirements cannot be met, seasoned ownership/management experience is not required provided the loan meets a minimum DSCR of 1.25.</li> </ul> <p><b>Borrower Affirmation:</b> Borrowers must acknowledge the loan is a “business purpose loan” by signing the <i>Borrower’s Intent to Proceed with Loan and Business Purpose Loan Certification</i>.</p>
<b>Loan Purpose</b>	<p><b>Rate/Term Refinance:</b> The following are acceptable in conjunction with a rate/term refinance transaction:</p> <ul style="list-style-type: none"> <li>Paying off the unpaid principal balance of the existing first mortgage</li> <li>Paying off a purchase money 2<sup>nd</sup> mortgage (closed end or HELOC)</li> <li>Paying off a non-purchase money 2<sup>nd</sup> mortgage seasoned at least 12 months (note date to note date):             <ul style="list-style-type: none"> <li>HELOC (Home Equity Line of Credit) must not have cumulative withdrawals exceeding \$2,000 in the last twelve (12) months</li> </ul> </li> <li>Paying off a PACE (aka HERO) loan</li> <li>Receiving cash back not to exceed the greater of 1% of the loan amount or \$2,000</li> </ul> <p><b>Cash-Out Refinance:</b> A cash-out refinance transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it. At least one borrower must have been on title for 6 months or have made payments on the existing mortgage for 6 months to be eligible for a cash-out refinance.</p> <ul style="list-style-type: none"> <li>If a property is owned by an LLC where the borrower(s) are 100% owners of the LLC, the time it was held by the LLC may be counted towards meeting the borrower’s 6 month ownership requirement. If the LLC has more than one member and only one member will be on the new loan, the time it was held by the LLC may <u>not</u> be counted towards meeting the borrower’s 6 month ownership requirement.</li> <li>Subject property purchased within the past 6 months is eligible for a cash-out refinance provided Fannie Mae Delayed Financing Exception is met.</li> </ul> <p><b>New York Consolidation, Extension &amp; Modification Agreement (NY CEMA)</b> For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction.</p> <ul style="list-style-type: none"> <li><b>Exclusion: CEMA transactions are not allowed for interest only refinance loans. (Impac overlay)</b></li> </ul> <p>The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:</p> <ul style="list-style-type: none"> <li>NY Consolidation, Extension and Modification Agreement (Form 3172)</li> <li>Original Note(s) – Original documents signed by the borrower</li> <li>Gap Note and Gap Mortgage, if applicable</li> <li>Consolidated Note – Original documents signed by the borrower</li> <li>Exhibit A – Listing of all Notes &amp; Mortgages being consolidated, extended and modified</li> <li>Exhibit B – Legal description of the subject property</li> <li>Exhibit C – Copy of the consolidated Note</li> <li>Exhibit D – Copy of the consolidated Mortgage</li> </ul> <p>Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.</p>
<b>Mortgage Insurance</b>	Not required
<b>Multiple Financed Properties and Impac Exposure</b>	<p>There is no limitation on the number of financed properties.</p> <ul style="list-style-type: none"> <li>Borrowers are limited to eight (8) loans with Impac not to exceed \$3,000,000.</li> <li>If borrower only has one (1) loan with Impac, including the subject property, that loan may not exceed \$3,000,000.</li> </ul>
<b>Non-Arm’s Length Transactions</b>	<p>Non-arm’s length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm’s length transactions for all occupancy types are allowed for the purchase of <u>existing</u> property. For the purchase of <u>newly constructed</u> properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only <u>primary residence</u> is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm’s length relationship are prohibited.</p>
<b>Prepayment Penalty</b>	<p>Permitted as follows:</p> <ul style="list-style-type: none"> <li><b>All Channels:</b> AL, AR, AZ, CA, CO<sup>1</sup>, FL, GA, HI, IA, ID, IN<sup>2</sup>, KY, LA, MO, MT, ND, NE, NH, NY*, NV, SC<sup>3</sup>, SD<sup>4</sup>, TN, TX<sup>5</sup>, UT<sup>6</sup>, VA, VT, WI, WV</li> </ul> <p>*Retail: ineligible state.</p>

## NQM Investor Program – Underwriting Guidelines

	<p><b>Footnotes:</b></p> <ul style="list-style-type: none"> <li>• <sup>1</sup> <u>Colorado</u>: Interest rate must be &lt; 12%</li> <li>• <sup>2</sup> <u>Indiana</u>: Fixed rate loans only (ARMs not allowed)</li> <li>• <sup>3</sup> <u>South Carolina</u>: Loan amount must be &gt; \$225,000</li> <li>• <sup>4</sup> <u>South Dakota</u>: Refinance transactions only (Purchase transactions not allowed)</li> <li>• <sup>5</sup> <u>Texas</u>:             <ul style="list-style-type: none"> <li>○ Interest rate must be &lt; 12%, and/or</li> <li>○ PPP not allowed if loan is high cost under Section 32 or state/county/local jurisdiction</li> </ul> </li> <li>• <sup>6</sup> <u>Utah</u>: PPP not allowed if loan is high cost under Section 32 or state/county/local jurisdiction</li> </ul> <p>3-year prepayment penalty allowed. Any prepayment within any 36 month period (during the penalty period) that exceeds 20% of the original principal loan amount will trigger a prepayment charge in the amount of 6 months interest on the amount of the prepayment that exceeds 20% of the original balance of the note.</p>
<p><b>Properties Affected by a Disaster</b></p>	<p>When the Federal Emergency Management Agency (FEMA) releases a disaster declaration announcement whereby <b>individual assistance</b> is made available to an area containing the subject property, the property will require a re-inspection as follows based on the “incident start date” and the “incident end date.”</p> <ul style="list-style-type: none"> <li>• Loan files containing appraisal reports with an effective date prior to the “incident start date” are <i>ineligible</i> for funding and investor delivery without an accompanying property inspection product dated after the “incident end date.”</li> <li>• Loan files containing appraisal reports with an effective date on or after the “incident start date” are <i>ineligible</i> for funding and investor delivery without an accompanying property inspection product dated after the “incident end date.”</li> <li>• Appraisal reports with an effective date after the published “incident end date” require <i>no action</i> and may fund and be delivered to the investor provided there is no indication from the appraiser that there is an adverse impact on the property’s value, condition, or marketability as a result of the disaster.</li> <li>• All property inspection products must be dated after the published “incident end date” to allow loan file funding and investor delivery.</li> </ul> <p><b>Required Inspection Product:</b> An Exterior DAIR is required for inspections, including, but not limited to, earthquake, fire, landslide, and tornado. When the disaster is a flood, hurricane and/or water related disaster, and Interior inspection is also required. Regardless, all DAIR’s must affirmatively indicate there is no adverse impact to value, condition, or marketability as a result of the disaster.</p> <p><b>Condo Requirements:</b> In addition to the subject unit itself, the DAIR must also assess the condition of the building in which the condo unit is located and assess any damage to the condo project’s common elements.</p> <p><b>Damage Indicated on the DAIR:</b></p> <ul style="list-style-type: none"> <li>• If damage exists but does not impact the safety, soundness, or structural integrity of the property, the following is required in order to be eligible for delivery:             <ul style="list-style-type: none"> <li>○ The repair items are covered by insurance, <b>AND</b></li> <li>○ Documentation of the professional estimates of the repair costs must be obtained and the lender must ensure that sufficient funds are available for the borrower’s benefit to guarantee the completion of the repairs (i.e. borrower must document funds required to meet any applicable insurance deductible).</li> </ul> </li> <li>• If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is eligible to be delivered.</li> <li>• Where damage exists to the building of a condo unit and/or the condo project’s common elements, escalate to Enterprise Credit Policy.</li> </ul>
<p><b>Property Types</b></p>	<p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>• 1 unit attached and detached SFR and PUDs</li> <li>• 2-4 units</li> <li>• Condominiums</li> <li>• Leasehold Estates (must meet Fannie Mae Guidelines)</li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>• Condo hotel</li> <li>• Co-ops</li> <li>• Income producing properties with acreage</li> <li>• Manufactured housing</li> <li>• Modular homes</li> <li>• Working farms, ranches or orchards</li> <li>• Vacant land or land development properties</li> <li>• Properties that are not readily accessible by roads that meet local standards</li> </ul>

## NQM Investor Program – Underwriting Guidelines

	<ul style="list-style-type: none"> <li>Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate</li> <li>Boarding houses</li> <li>Bed and breakfast properties</li> <li>Properties that are not suitable for year-round occupancy regardless of location</li> <li>Properties located in Hawaiian lava zones 1 and 2</li> </ul> <p><u>Unique Properties:</u> May be considered on a case-by-case basis whereby additional restrictions may apply (e.g. max LTV of 80%). In all cases, the appraisal must provide similar comparable sales and address any marketability concerns. Following are unique properties that may be considered on a case-by-case basis:</p> <ul style="list-style-type: none"> <li>Acreage greater than 20 acres.</li> <li>Agricultural zoned property.</li> <li>Log Homes.</li> <li>Mixed Use</li> <li>Properties subject to oil and/or gas leases</li> </ul> <p><u>Condo Project Reviews:</u> Follow Fannie Mae guidelines for Project Review Waivers, Limited Reviews, Full Reviews (with or without CPM) and PERS Final Approvals. FHA approved condos are not permitted. Co-op and manufactured housing projects are ineligible. The following non-warrantable condo exceptions are allowed:</p> <ul style="list-style-type: none"> <li><u>Established Projects:</u> The Fannie Mae requirement that for investment properties, at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers), does not apply. All occupancy types are allowed regardless of the project's investment property concentration.</li> <li><u>New Projects:</u> The Fannie Mae requirement that at least 50% of the total units in the project or subject legal phase must have been conveyed or under contract for sale to principal residence or second home purchasers does not apply.</li> <li><u>All Projects:</u> Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns up to and including 25% of the total number of units in the project will be considered on a case-by-case basis.</li> </ul>								
<b>Reserves</b>	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Loan Amount</th> <th style="padding: 5px;">Required Reserves</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">≤ \$1,000,000</td> <td style="padding: 5px;">3 months</td> </tr> <tr> <td style="padding: 5px;">&gt; \$1,000,000 &lt; \$2,000,000</td> <td style="padding: 5px;">6 months</td> </tr> <tr> <td style="padding: 5px;">≥ \$2,000,000</td> <td style="padding: 5px;">12 months</td> </tr> </tbody> </table> <p>The ARM Note Rate is used to determine P&amp;I payment (if fully amortizing loan) or Interest Only payment (if interest only loan) payment for subject property reserves purposes.</p> <p><u>Cash-Out for Reserves:</u> Proceeds from a cash-out refinance may be used toward the reserve requirement when LTV ≤ 80% for the Standard loan program (not allowed for the Premier Option).</p> <p><u>Gift Funds for Reserves:</u> Not permitted.</p> <p><u>Waiver of Reserves:</u> A waiver of reserves is allowed for Rate/Term refinance transactions only provided all borrowers meet all of the following requirements:</p> <ul style="list-style-type: none"> <li>Minimum 680 FICO</li> <li>Mortgage and/or rent rating of 0x30x12 (must be consecutive, no short/missing pay history allowed)</li> <li>No history of bankruptcy, foreclosure, short sale, deed-in-lieu of foreclosure, or mortgage charge-off</li> </ul> <p><u>Additional Financed Properties Requirements:</u></p> <ul style="list-style-type: none"> <li>1 month PITIA for each additional financed property. PITIA calculated using the <u>actual mortgage payment</u> (PITIA) of the "other" property for each additional property.</li> <li>Reserves for additional financed properties with a recent 12 month paid-as-agreed history may be waived <u>except</u> when the subject property loan amount is &gt; \$1,000,000 (<b>waiver not allowed for Premier Option</b>).</li> <li>Reserves for additional financed properties acquired within the 12 months prior to application cannot be waived.</li> </ul>	Loan Amount	Required Reserves	≤ \$1,000,000	3 months	> \$1,000,000 < \$2,000,000	6 months	≥ \$2,000,000	12 months
Loan Amount	Required Reserves								
≤ \$1,000,000	3 months								
> \$1,000,000 < \$2,000,000	6 months								
≥ \$2,000,000	12 months								
<b>Subordinate Financing</b>	<p>Subordinate financing is allowed subject to the following requirements:</p> <ul style="list-style-type: none"> <li>Must have regular monthly payments that cover at least the interest due so that negative amortization does not occur.</li> <li>Financing provided by the property seller is allowed for <u>arm's-length transactions only</u> in accordance with program CLTV limits.</li> </ul>								



## NQM Investor Program – Underwriting Guidelines

	<ul style="list-style-type: none"> <li>• Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable.</li> <li>• Loans may be escalated for consideration when the amount of the subordinate debt is minimal relative to the borrower’s financial assets and/or credit profile.</li> </ul>
<b>Title Vesting</b>	<p><u>Eligible Vesting:</u> Vesting in the name of an individual(s), an Inter Vivos Revocable Trust or a U.S. based LLC is allowed for all loan programs provided it meets the following requirements:</p> <ul style="list-style-type: none"> <li>• Inter Vivos Revocable Trust:             <ul style="list-style-type: none"> <li>○ Must meet Fannie Mae requirements</li> <li>○ Only trusts with natural person members are allowed</li> </ul> </li> <li>• U.S. based LLCs:             <ul style="list-style-type: none"> <li>○ The Operating Agreement for the LLC must be provided in order to confirm acceptability of the LLC</li> <li>○ The borrower(s) on the loan application (1003) must be the same as the managing member and have documented authority to sign on behalf of the entity.</li> <li>○ Only LLCs with <u>natural person members</u> are allowed.</li> </ul> </li> </ul> <p><u>Ineligible Vesting:</u></p> <ul style="list-style-type: none"> <li>• Corporations</li> <li>• Partnerships</li> <li>• 501(c)(3) organizations</li> <li>• Trusts or LLCs whose members include other LLCs, corporations, partnerships, or trusts.</li> <li>• Trusts or LLCs where a Power of Attorney is used.</li> </ul>
<b>Underwriting</b>	<p>Loans must be manually underwritten and fully documented. For additional topics not specifically or fully addressed herein, Fannie Mae underwriting guidelines should be followed. The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion.</p>



NQM Investor Program – Underwriting Guidelines

Borrower’s Intent to Proceed with Loan and Business Purpose Loan Certification

Date:

Loan #:

Borrower Name:

Mailing Address:

Loan Program:

Property Address:

This document is intended to express your request to proceed with the above referenced loan. If you wish to proceed, please return a signed and dated copy of this document to [ENTER NAME AND ADDRESS OF LOAN OFFICE OR DEPARTMENT].

By signing and returning this document I am confirming I wish to continue with the loan, that the loan is for business purposes and not household purposes, and that the loan proceeds are intended to be used (and will in fact be used) for business purposes only, not for my personal use. I also represent that I do not occupy the property as my primary residence or as a vacation home. I intend to lease or rent the property to a third person. I understand that because the loan will be made exclusively for business purposes, laws applicable to consumer purpose loans, including but not limited to the following, are not applicable to this loan: 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.).

By signing below I confirm I have read and understand this document and I intend to continue with the loan, and affirm that the Property is to be a non-owner occupied investment property.

Borrower Name Date

Borrower Name Date

Borrower Name Date

Borrower Name Date

Borrower Name Date

Borrower Name Date