Sequoia NQM

LTV/CLTV MATRIX – Owner-Occupied**

Loan Amount	Credit Score	Full Doc 1-2 years		Bank Statement 12-24 Months, 1099 1-2 Years, Asset Depletion, CPA Gross Receipts, P&L***	
		Purchase Rate & Term	Cash-Out	Purchase Rate & Term	Cash-Out
≤ $1,000,000	720	90%*	N/A	90%*	N/A
	700	85%	80%	85%	80%
	680	80%	80%	80%	80%
	660	80%	75%	80%	75%
≤ $1,500,000	720	90%*	N/A	90%*	N/A
	700	85%	80%	85%	80%
	680	80%	75%	80%	75%
	660	80%	75%	80%	75%
≤ $2,000,000	720	80%	75%	80%	75%
	700	80%	75%	80%	75%
	680	75%	70%	75%	70%
	660	75%	70%	75%	70%
≤ $2,500,000	720	80%	70%	80%	70%
	700	75%	65%	75%	65%
	680	70%	65%	70%	65%
	660	70%	65%	70%	65%
≤ $3,500,000	740	75%	65%	75%	65%
	720	75%	65%	75%	65%
	700	70%	65%	70%	65%

Loan Amount	Credit Score	Full Doc 1-2 years		Bank Statement 24 Months, Asset Depletion	
		Purchase Rate & Term	Cash-Out	Purchase Rate & Term	Cash-Out
≤ $4,000,000	740	70%	60%	70%	60%
	720	65%	55%	65%	55%
≤ $5,000,000	740	65%	55%	65%	55%
	720	60%	50%	60%	50%

*PURCHASE ONLY. Rate & Term Not Allowed

**2nd Homes - Max $2.5MM Loan Amount, Purchase / Rate & Term Max 80% LTV/CLTV, Cash Out Max 75% LTV/CLTV

***CPA Gross Receipts, P&L Doc types Max 80% LTV/CLTV

Newfi

LTV/CLTV MATRIX – Non-Owner Occupied					
Loan Amount	Credit Score	Full Doc 1-2 years		Bank Statement 12-24 Months, 1099 1-2 Years, Asset Depletion, CPA Gross Receipts, P&L***	
		Purchase Rate & Term	Cash-Out	Purchase Rate & Term	Cash-Out
≤ $1,000,000	720	80%	75%	80%	75%
	700	80%	75%	80%	75%
	680	80%	75%	80%	75%
	660	80%	75%	80%	75%
≤ $2,000,000	720	80%	75%	80%	75%
	700	80%	75%	80%	75%
	680	75%	70%	75%	70%
	660	70%	65%	70%	65%
≤ $2,500,000	720	75%	70%	75%	70%
	700	75%	65%	75%	65%
	680	70%	65%	70%	65%

Newfi

Sequoia NQM

	Product	Qualifying Rate	Term	I.O. Term
Available Products	15 Year Fixed	Note Rate	180	N/A
	30 Year Fixed	Note Rate	360	N/A
	40 Year Fixed	Note Rate	480	N/A
	30 Year Fixed I.O.	Note Rate	360	120
	40 Year Fixed I.O.	Note Rate	480	120

Buydown Option

A 2/1 buydown option is available on owner occupied purchase transactions. The buydown is funded by interested party contributions (IPC) or Lender Credit. The buydown fund contributions can only come from the seller, builder, realtors, or from lender credit. Any combination of these sources is acceptable. The year 1 payment is based on a rate that is 2% below the locked rate, the year 2 payment is based on a rate that is 1% below the locked rate. The difference between the actual payment and the payment required by the note rate is paid every month by the loan servicer from the buydown premium collected at closing. At the beginning of year 3, and thereafter, the full amortizing payment is made by the borrower. If the loan pays off prior to the beginning of year 3, the remainder of the buydown fund is credited to the borrower in the payoff calculation.

The following terms and restrictions apply:

- The buydown is only available on Owner Occupied purchase transactions
- For qualification purposes the actual locked rate and associated payment are used
- The buydown only impacts the amount of the monthly payments over the first 2 years
- For loans with impounds/escrows: the borrower makes the full monthly amount for any impounds
- There is no negative amortization
- Buydown amount cannot exceed IPC limits
- Cannot be combined with Interest Only payment option
- Appraisal must reflect that the IPC used to fund, or partially fund, a buydown has been included in the analysis
- Purchase agreement must reflect IPC to be granted to the buyer/borrower
- A Buydown agreement is signed at closing by the borrower and all parties providing credit to the buydown fund
- Not available for loans amounts greater than $3,500,000

Second Homes

Loan Amounts <= $2.5MM the following LTV restrictions apply:
Purchase / Rate & Term - Max 80% LTV/CLTV
Cash Out - Max 75% LTV/CLTV

Prepayment Penalty	Prepayment penalties allowed on Non-Owner occupied properties only. Prepayment penalty is equal to 6 months interest on 80% of unpaid principal balance. PPP Not Allowed in the following states: - Alabama, Arkansas, DC, Illinois, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, New Jersey, Ohio, Oklahoma, South Carolina, Vermont, West Virginia PPP Allowed in the following states w/ restrictions: - Iowa: Allowed on 3-4 units only - North Carolina: Allowed for loan amounts > $150,000 - Indiana: Allowed only if fixed rate
Minimum Loan Amount	$100,000 $250,000 for Texas 50(a)(6) $159,500 for loans in Missouri
Interest Only	Allowed at all LTV's and Credit Scores
Secondary Financing	Allowed - See LTV/CLTV grid Junior financing can be lender or seller provided and must meet the requirements as defined by Fannie Mae Junior financing used for purchase or fixed 2nd's seasoned for 12 months can be paid off for transaction to be considered rate & term. If junior financing is a HELOC, total draws within previous 12-months cannot exceed the lesser of 2% or $5,000 to be considered rate & term.
PACE / HERO Loans	Follow FNMA Any energy efficiency-based liens, like PACE or HERO, when paid off through loan proceeds, the transaction is treated like a rate & term. Cannot be subordinated.
Property Type	Single Family (attached and detached) PUD Warrantable Condo - Follow FNMA Requirements Non-Warrantable Condo - Considered on a case by case basis via exception. 2 - 4 Units
Maximum Cash-Out	>= 70% LTV up to $500,000 allowed < 70% LTV up to $1,000,000 allowed <= 50% LTV up to $2,500,000 allowed
Cash Out Ownership Seasoning	Property must be owned a minimum of 6 months at note date to be eligible for cash out. See delayed financing for properties owned less than 6 months.

Delayed Financing	Properties purchased with cash, or debt not secured to the subject property, within the past six (6) months (measured from the purchase date of the property to the disbursement date of the new loan) are eligible for a cash-out refinance. Cash-out equity withdrawal not restricted to guideline maximums. Follow Fannie Mae requirements
LTV Determination	Rate & Term - use current appraised value Cash-Out owned >= 6 months - use current appraised value Cash-Out owned < 6 months (delayed financing) - use lesser of acquisition cost or appraised value (see delayed financing)
Borrower Requirements	
Eligible Borrowers	US Citizens Permanent Resident Alien Non-Permanent Resident Alien
Non-Permanent Resident Standard	Non-Permanent Resident Alien: Standard - Visa types allowed E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, L-2, NATO, O-1, R-1, TN NAFTA - Visas must be current and have at least six (6) months remaining from the close date, if less than six (6) months provide evidence that extension has been requested - If the visa will expire within six (6) months of the loan application a letter from the employer stating the borrower's continued employment and continued visa renewal sponsorship. Employer on the loan application must be same on the unexpired visa
Non-Permanent Resident Non-Standard	Non-Permanent Resident Alien: Non-Standard Any residency status that meets FNMA guidelines is allowed provided the requirements listed below are met: - Visas must be current and have at least six (6) months remaining from the close date, if less than six (6) months provide evidence that extension has been requested - If the visa will expire within six (6) months of the loan application a letter from the employer stating the borrower's continued employment and continued visa renewal sponsorship. Employer on the loan application must be same on the unexpired visa - Must have a min of two (2) years residency and employment history in the US and qualifying income is based on the two (2) years income, the two (2) year history is measured by note date - Must have a two (2) year US credit history and must meet program credit profile, the two (2) year history is measured from note date - The requirement for residency, Credit, employment may be reduced to one (1) year with AUS Approve/Ineligible (Ineligible for loan amount, DTI and/or reserves)

Entity Vesting	Entity vesting is allowed on non-owner occupied only, the following are required - Entity type must be LLC - All entity members must also be borrowers - 4 borrower MAX - U.S. domiciled entities only - Purpose of entity must be for real estate acquisition Documentation verifying the following must be provided - Verify entity membership with formation docs or other entity documentation - Provide federal licensing entity ID number (EIN) - Show the entity is in good standing
First Time Home Buyer	Defined as borrowers who have not owned residential property in the past three (3) years If one (1) borrower is an FTHB and the other borrower is not, then FTHB guidance does not apply Property owned outside of the US is not considered in the FTHB determination - All occupancy types allowed - Subject rents on investment property transaction not allowed Max Loan Amount = $2,000,000 Max 50% DTI > 40% DTI 300% max payment shock, <= 40% DTI payment shock does not apply
Multiple Properties Owned	The maximum number of residential 1-4 unit properties owned (financed or free and clear) is six (6)
Max Exposure to Newfi	The max exposure to Newfi for any one (1) borrower is eight (8) loans or $5,000,000 UPB

Non-Occupant Co-Borrowers	Purchase and Rate/Term only Cash-Out transactions are not allowed Blended Ratios are allowed using one of the three following options: Option 1: - Occupying borrower must have a DTI <= 60% **AND** - a minimum of 5% of the down payment must come from occupying borrower's own funds **AND** - occupant borrower is responsible for 50% of the reserve requirement Option 2: - Occupying borrower must have a DTI <= 75% with combined DTI <= 40% **AND** - a minimum of 5% of the down payment must come from occupying borrower's own funds **AND** - occupant borrower is responsible for 50% of the reserve requirement Option 3: - True blended ratios are allowed at <= 70% LTV/CLTV - No occupant contribution required for down payment or reserves
Non-Arm's Length	The following NAL's are eligible with proper documentation: Sale or transfers between members of the same family (transaction may not be due to any adverse circumstances) Property seller acting as his or her own real estate agent Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history) Borrower is a mortgage broker or loan officer, or works for submitting broker. Borrower is related to realtor and/or loan officer who is representing them only. Investment property loans must be arms length

Credit and Liabilities	
Credit Score	Refer to Matrices for eligibility When multiple borrowers apply, the lowest middle score is the qualifying credit score
Age of Credit Docs	Appraisal and title valid for 120-days from note date Credit, Income, and Assets valid for 90-days from note date YTD P&L age limit is 90-days
Housing Payment History	Maximum of 0x30 in past 12 months 0x30x24 required for loan amounts greater than $3,500,000
Mortgage/Rental Verification	Institutional Lender/ Landlord Payment history may be documented as follows: - 12 months mortgage payment history on the credit report OR - 12 months canceled checks OR - Verification of Mortgage (VOM)/ Verification of Rent (VOR) Non-Institutional Lender/ Landlord - Payments must be verified with either canceled checks or bank statements AND - A copy of the note or lease is required to verify payment amount and due date - Verifying housing payments can be eliminated if the following is present: - File receives an AUS approve
Forbearance	Forbearance allows for borrower experiencing financial hardship to pause making mortgage payments. A recent forbearance, due to COVID-19, may be eligible based upon the following: 1. Borrowers who entered into forbearance but continued to make timely payments and remained employed without income disruption, are eligible without any other requirements. 2. Borrowers who participated in forbearance and missed payments have two options: a) Pay loan current by making all missed payments from borrower verified funds. b) Make three monthly payments in lender modification plan after exiting forbearance. Third payment must be made prior to note date. Evidence the borrower has exited forbearance or entered the modification plan is required. This forbearance guidance applies to all open mortgage accounts
Major Credit Events	Four (4) year seasoning is required on all major credit events Seasoning is measured from date of credit event to note date and includes: Bankruptcy, Foreclosure, Deed-in-Lieu, Short-Sale / Short-Refinance, and Modification Simple rate reduction modifications or modifications that were a result of a COVID-19 forbearance plan are acceptable with no restrictions
Credit Report Security Freeze	If the credit report shows a security freeze and the borrower unfreezes credit after the date of the original credit report, a new report is required to reflect current and updated information

Collections & Charge Offs	Collection and charged-off accounts that do not impact title do not need to be paid off if: - Individual accounts less than $500 and cumulative balance $2,500 or less - Medical collections up to $10,000 cumulative - Collections and charge-offs that have passed the individual state statute of limitations Collections and charge-offs not excluded by one of the above three (3) exceptions must be paid or may remain open with the following - Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment AND/OR - Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements *Note: A combination of reserves and debt service can be used to address open balances. For example: $10,000 collection balance can be addressed by $5,000 extra reserves and $5,000 debt serviced at $250 per month.
Required Credit History	If the primary wage earner has 3 credit scores, the minimum tradeline requirement is met. If the primary wage earner has only 2 scores, one of the following four (4) options must be met. Multiple borrowers with the same income need to meet either the 3 credit score threshold or meet one (1) of the minimum tradeline requirements listed below. Primary wage earner ONLY must meet tradeline requirement Tradelines with recent serious adverse history are not acceptable Rental verification can be included as a tradeline Student loans can be counted in credit depth as long as they are in repayment and not being deferred Option #1 - **3 of 12:** At least three (3) tradelines reporting for a minimum of 12 months, with all three (3) having activity in the last 12 months, accounts can be open or closed Option #2 - **2 for 24:** At least two (2) tradelines reporting for a minimum of 24 months, with both having activity in the last 12 months, accounts can be open or closed Option #3 - **8 for 8:** No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history. - At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months. - The borrower has an established credit history for at least eight (8) years. Option #4 - **AUS 4 for 4:** AUS approval and no fewer than four (4) tradelines are reporting, one (1) of which must be a mortgage or a rental history. - At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months. - There is an established credit history of at least four (4) years. - Requirements can be met by primary borrower or 2 combined borrowers on same application. Please note: a satisfactorily documented housing history, not reported on the credit report, can be used to meet the tradeline minimums. If the AUS is used in lieu of documenting private housing payments, it cannot be considered as a tradeline for the purposes of meeting the minimum requirements.

Installment Debt	- The monthly payment may be excluded from the DTI calculation provided there are ten (10) or fewer payments remaining, and the payment does not exceed 5% of the borrower's qualifying income - Paying down installment debt to 10 payments or less to qualify is allowed with a DTI < 40% - Business debt in borrower's name may be excluded with documentation to verify that the business has made 6 months of timely payments and the debt is accounted for as an expense in the business tax returns. Only allowed with full documentation income - Student loans, whether deferred, in forbearance, or in repayment, .5% of the unpaid balance or the actual documented payment - To exclude contingent liabilities, document that the individual making the payment is also obligated on the debt and document most recent 12 months timely payments - Timeshares are considered installment debt, not a mortgage
Revolving Debt	The minimum payment on the credit report or current statement is used in the DTI calculation: - Revolving debt may not be paid down to qualify - Revolving debt may be excluded if account is paid off, funds used to pay off account must be verified - If there is no minimum payment amount is listed on the credit report and no supplemental documentation to support a payment is provided, then use the greater of $10.00 or 5% of the outstanding balance - Business debt in borrower's name may be excluded with documentation to verify that the business has made 6 months of timely payments and the debt is accounted for as an expense in the business tax returns. Only allowed with full documentation income
Income	
Debt to Income Ratios (DTI)	50% DTI MAX - Unless noted otherwise Max DTI is 45% for LTV >85% or loan amounts greater than $3,500,000 Up to 55% DTI - 680+ FICO / 80% LTV Max / Owner Occupied ONLY / 2 Year Full Doc ONLY - 0% payment shock / 3 months additional reserves required - Purchase / Rate & Term / Cash-Out Debt Consolidation (Cash to borrower must meet Rate & Term Guidelines) ONLY
Payment Shock	- May not exceed 300% of the borrower's current housing payment unless the DTI is less than or equal to 40% - If payment shock exceeds 300%, an exception may be considered with compensating factors - If the loan purpose is debt consolidation, and the net tangible benefit test is met, a payment shock calculation is not required - Borrowers whose primary is currently free and clear are not subject to the payment shock limitations - For Borrowers who are temporarily living rent free, the calculation is based on the most recent primary housing expense - For non-owner and second homes, payment shock is based on the global housing payment. For non-owner with net positive cash flow, no payment shock calculation is required Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100

Variable Income Overtime/Bonus/Commission	- Income may be used on 1 or 2 year documentation type - A Written Verification of Employment (WVOE) is required to show the breakdown of the income types - Variable income earned for less than one year may not be used - Variable income is averaged over the most recent 2 years + YTD or 1 year + YTD, however, if the most recent 12 months, or YTD, is lower, the income is averaged over the shorter period
Max # of Business Entities	No limit on the number for Schedule C. A transaction may have up to two (2) 1065 and/or 1120 entities between all the borrowers. REO held inside an entity is generally not considered an entity for this purpose provided the entity's sole activity is to hold real estate. An entity with a percentage of ownership that does not require business returns is not considered in this calculation for max number of entities. Transactions that exceed the number of entities may be approved case by case via exception.
Business Bank Statement (BBS)	Intended for borrowers with 50% or more self-employment income May be combined with non-business income: i.e. SSI, rental income, W2 wages Multiple bank accounts are allowed A minimum of 25% ownership in the business is required
Co-Mingled Bank Statement (Personal account used for business)	Intended for borrowers with 50% or more self-employment income May be combined with non-business income: i.e. SSI, rental income, W2 wages Multiple bank accounts are allowed Borrower must be 100% owner of the business (borrower plus spouse with 100% ownership is allowed)
1099 In Lieu of Bank Statements Option	1099s may be obtained and used to replace 1 or 2 calendar years of business or personal bank statements. Some business owners will have one or more main customers with a 1099 relationship in place, those 1099(s) can be used to determine the gross receipts of the business in lieu of providing bank statements for the time period covered by the 1099. - Provide 1 or 2 years of 1099s - Evidence of year-to-date earnings must be verified via bank statements covering the YTD period
Business Narrative	A business narrative is required to be completed by the borrower/business owner, or loan officer, when using business bank statement or co-mingled bank statement income. The signed business narrative must be in the file prior to submission.

Consistency of Deposits for Bank Statement Income	Deposits will be reviewed and evaluated for consistency in size, number, and type. Inconsistent, or out of trend deposit activity, may require further documentation or be excluded.
Evaluation of Large Deposits for Bank Statement Income	- Any deposit exceeding 50% of the average monthly sales of the business is considered a large deposit - Isolated large deposits are deposits that occur very infrequently. These deposits need to be sourced and confirmed as business income or they should be excluded - Six, or more, large deposits in a 12-month period can be considered as consistent and do not necessarily need to be sourced or excluded
Methods for Calculating Bank Statement Income	**Method 1: Fixed Expense Ratio 50%** A 50% fixed expense ratio is applied to total allowed deposits to determine the net business income **Method 2: Third Party Expense Statement** A CPA, accountant or tax preparer signed and dated statement indicating the percentage of expenses to gross annual sales/revenue - Must cover the 12 or 24 month period of the bank statements - CPA, accountant, or tax preparer must have working knowledge of borrowers' tax returns - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required **Method 3: Third Part Prepared P&L** A CPA, accountant or tax preparer signed and dated P&L - Must cover the 12 or 24 months period of the bank statements - Verification evidencing the CPA, accountant or tax preparer's business and a current license are required - Gross receipts on P&L must be within a 10% variance of allowable deposits **Method 4: Deposits Minus Withdrawals** - Take total qualifying deposits and subtract total withdrawals - Add back payments to partners/owners - Add back obvious major non-business expenses, like primary residence housing payments, income tax payments, etc. - Divide net income by borrower's percentage of ownership - Divide net income by number of months of BBS used, 12 or 24
Personal Bank Statement (PBS)	Intended for borrowers with 50% or more self-employment income May be combined with non-business income: i.e. SSI, rental income, W2 wages Multiple bank accounts are allowed A minimum of 20% ownership in the business is required Third party documentation of self-employment is required to support that the business has been in operation for the previous two (2) calendar years and that the borrower(s) had ownership for same period May use 100% of qualified deposits in the personal account when there is evidence of a separate business account to show transfers and activity to support business operations

1099 Program (Alt Doc)	Designed for borrowers who are contractors with minimal expenses and receive one (1) or more 1099s / year Can be combined with all other income sources There are two (2) options to support and document income: - Option #1: Use a 10% expense ratio OR - Option #2: Provide a third party (tax professional) prepared Business Expense Statement OR P&L to a minimum 5% expense factor Qualifying income is based on the 12 or 24 months average from total of all 1099's minus the expense factor YTD earnings must show that the income is ongoing with the following: - Paystub that reflects YTD earnings OR - Bank Statements, YTD or 4 months (whichever is less) The YTD earnings from the paystub or the total of deposits on the bank statements must be within 15% of the qualifying income. - Some work may have a seasonal aspect and recent activity will not support the yearly average. Documentation must be provided to support seasonality. - Some commission work may have irregular payouts. Proof of pending commissions may be acceptable to support continued income level.
CPA Gross Receipts	The CPA Gross Receipts program is designed for self-employed borrowers only. Gross receipts/income from the borrower's most recent tax year is based on data from a letter provided by the borrower's CPA. Net income is determined by using either the 50% FER or a CPA provided expense letter. The CPA Gross Receipts Letter must address: - Percentage of ownership in business (Minimum 50% is required) - Total gross receipts for the most recent tax year filed - Confirm CPA / Licensed Tax Preparer has prepared and filed borrower's taxes Business Bank statements must be provided to support the YTD gross receipts. The average bank statement deposits must be no lower than 85% of the monthly average amount reflected by the CPA letter. The number of bank statements required is as follows: - The lesser of 2 months or YTD if the CPA letter is based of the most recent tax year - The most recent 6 months if the CPA letter is based on tax year data that exceeds 12 months from the application date The following are required: - CPA / Tax Preparer provided expense statement - Underwriter must validate CPA/ Licensed Tax Preparer credentials. - Borrower must be a minimum 50% owner of the business - Evidence of the borrower's business and ownership position must be verified - Business bank statements must be provided to support income, Co-mingled or personal accounts are not allowed - Transcripts are not required - 80% Max LTV/CLTV - CPA must indicate they have prepared the borrower's returns

CPA P&L Program	The CPA P&L Program is designed for self-employed borrowers only. A P&L covering the most recent 12 months is provided by the borrower's CPA. Qualifying income is determined by taking the net income by CPA provided P&L and dividing by 12. The result is divided by the borrower's percentage of ownership in the business. 2 months of recent Business Bank statements must be provided to support the P&L gross income. The average bank statement deposits must be no lower than 85% of the monthly average of gross income reflected by the CPA P&L. The following are required: - P&L must be signed/dated by CPA and borrower - Underwriter must validate CPA/ Licensed Tax Preparer credentials. - Borrower must be a minimum 50% owner of the business - Evidence of the borrower's business and ownership position must be verified - Bank statements must be provided, co-mingled accounts must be solo or joint with non-borrowing co-owner of business generating our income - Transcripts are not required - 80% Max LTV/CLTV - CPA must indicate they have prepared the borrower's returns
Rental Income Along with Bank Statement and Alt Doc Income	- Use 75% of lease or STR host report - Document receipt of rents - Deduct rental deposits if rents are deposited into the same account being used to develop the primary business income

Bank Statement Rental Income (Primary Income Source)	Net rental income is calculated by taking 90% of the lesser of combined lease amounts or average net deposits, minus the PITI. The borrower is given credit for rental income commensurate with the borrower's ownership percentage in the property. The following documentation is required: - A copy of the lease(s) for the rental property - 12 months bank statements verifying receipt of rents - Property profiles, or similar, that document the borrower's ownership position in each REO used to generate qualifying income - Entity formation docs for properties held in an entity
Real Estate Flipper Program	The Real Estate Flipper Program is designed for self-employed borrowers only. Income is derived from the capital gains associated with professionals who acquire, rehab, and then sell residential real estate. The qualifying income is a percentage of the gross profit which is the difference between the acquisition cost and the net liquidation value. The acquisition cost will be the purchase price plus transaction fees. The liquidation value will be the sales price minus transaction fees. The gross profit is what's left over when we subtract the acquisition cost from the liquidation value. A percentage of this remainder is used for qualifying income as follows: - 50% of the remainder divided by the borrower's ownership position in the project up to an LTV/CLTV or 75% - 25% of the remainder divided by the borrower's ownership position in the project for an LTV/CLTV greater than 75% In order to qualify for the Real Estate Flipper Program, the borrower must document 2 or more transactions spanning a minimum of 12 months. Flipper income can be used on its own or in conjunction with other income sources. The following are required: - ALTA from the acquisition of each project being considered - ALTA from the sale of each project being considered - 12 or 24 months of bank statements - Borrower must be a minimum 25% owner of the project - Transcripts are not required
1099 Documented No Expenses (Full Doc)	Often 1099 employees have transitioned from a W2 job doing the same functions. Borrowers who transitioned from W2 to 1099 with a different employer or contracted by the same employer and in the same position do not require 1040 if documentation is provided that the borrower will not be responsible for any additional expenses. This documentation can be a letter from the employer or the employment contract. Document the current receipt of income with 2 months of pay vouchers or bank statements. Full amount of 1099 payouts can be used. - YTD earnings validated by paystubs, pay vouchers, WVOE, etc. - Documentation from employer that borrower has no job-related expenses

<table>
<tr><td>History of Self-Employment
(Full Doc and Alt Doc)</td><td colspan="2">A two (2) year history of self-employed history required on all loans
Less than two (2) years but greater than one (1) year can be considered case-by-case. Requirements are:
- Strong previous experience
- Job industry-specific training
- Previous work history to support lack of self-employment history</td></tr>
<tr><td>Tax Transcripts on Full Doc</td><td colspan="2">- Required on all income used to qualify
- Transcripts can match income type
- Business transcripts not required if business income is reported on 1040
- Signed 1040's are not required
- 3rd party WVOE can be used in lieu of W2 transcripts
- Transcripts not required for subject investment property rental income</td></tr>
<tr><td>Tax Transcripts on Bank Statement, 1099, and CPA Gross Receipts</td><td colspan="2">Transcripts and income validation not required for Bank Statement or 1099 1 & 2 year programs.
Transcripts are required for any non-1040 type full doc income used in conjunction with these 2 income types - i.e. W2 wages (see section on transcripts for alternatives)</td></tr>
<tr><td rowspan="4">Earning Trends</td><td colspan="2">Year to year earnings must be considered in accordance with Appendix Q Part 1026 of regulation Z - Standards for determining Monthly Debt and Income</td></tr>
<tr><td>Stable or Increasing</td><td>Amounts should be averaged</td></tr>
<tr><td>Declining but Stable</td><td>If 24 month average shows a decline, but most recent 12 months has stabilized & there is no reason to believe that the income / employment will not change the most recent 12 month average may be used.</td></tr>
<tr><td>Declining</td><td>Income is ineligible</td></tr>
</table>

Asset Depletion	Asset depletion allowed as qualifying income either on its own or combined with other income sources. Transactions using Asset Depletion Income follow the 12 mo. Bank Statement / 1 Year 1099 programs for price and eligibility The following restrictions apply when using Asset Depletion income: - Max 45% DTI/Non-Occupant Co Borrowers not allowed/Gift funds ineligible - Max cash out withdrawal $500,000 (does not apply to delayed financing) Minimum required eligible assets must meet one of the following three options: - $1,000,000 - 150% of the loan amount - $400,000 provided the borrower has 60 months of total liabilities (all monthly consumer debt, all REO PITI, subject PITI, child support, etc.) net of funds to close. Example: borrower total liabilities is $8200, 60-month total is $492,000. If the borrower has $492,000 net of transaction costs, then the borrower is eligible to asset deplete as little as $400,000 in qualified assets. Income Calculation: Qualifying income is based upon total eligible assets for depletion, less down payment, less closing costs and required reserves, then divided by 84. Eligible Assets • 100% of checking , savings and money market accounts • 80% of stocks, bonds and mutual funds • 80% of retirement assets if the borrower is of retirement age – 59 ½ • 70% of retirement assets if the borrower is not of retirement age - All individuals on the asset accounts must be on the Note and Mortgage. - Assets must be verified with most recent three (3) months of account statements or a VOD - Assets must be seasoned 120-days Ineligible Assets: - Equity in Real Estate

Short Term Rental Income	Qualifying income can be used for property that is rented on a short-term basis through services like Airbnb and VRBO. The borrower must document a minimum of one tax year of income and expenses to use as a qualifying income source. Two Year Rental History - In lieu of current leases the borrower must document the property has been subject to short term rental for a minimum of two (2) years. - Income of the type must be averaged over a two (2) year period unless the income trend is declining. A current YTD ledger of rental payments received must also be included and support the two (2) year average. - A host report or equivalent service provider pay history and proof of property listing on website. Greater Than One Year but Less Than Two Years For a rental property with less than two (2) tax year history but at least one (1) tax year reporting, short term rental income may still be used provided that the following requirements are met: - A current YTD ledger of rental payments received included to support the income reported on Schedule E. - Airbnb host report or equivalent service provider pay history and proof of property listing on website. Less than One Year - NOT ELIGIBLE
Departure Property 3 Options	Option 1: If the current residence is pending sale but the transaction will not close prior to the subject transaction, the current PITI may be excluded with the following: 1. The executed sales contract for the current residence AND 2. Confirmation that all financing contingencies have been cleared. Option 2: If the current residence will become a rental property, the net rental income may be used to offset carrying costs or to add to qualifying income. The following 3 items are required 1. Copy of current lease AND 2. Proof of receipt of deposit and 1st month's rent AND 3. Evidence rent is near market, either a 1007 or other underwriter/loan officer obtained confirmation of market rent is required. 4. Use lease and apply the 75% rule to determine cash flow. Option 3: If the departure prop is unleased, then the PITI can be offset with market rents from a 1007 Positive cash flow from departing residence without a lease in place may not be added to income. Use 1007 rent and apply the 75% rule to determine cash flow. An additional 2 months of PITI on our subject property is required when using only the 1007 on the departure property.

Accessory Dwelling Unit (ADU) Rents	Accessory Dwelling Unit (ADU) Rents ADUs are becoming increasing popular in many locations across the US as housing gets more scarce and more expensive. Using rents from an ADU are acceptable with the following requirements: - Appraisal shows the ADU to be legal - Appraiser to provide comparables with ADUs - Multi-family or multi-ADU acceptable provided total unit count is less than or equal to four Refinance - Appraiser to address ADU rents on a 1007 Purchase - Follow guidance above Rental Income Calculation section, however, STR not allowed
Assets	
Business Funds	Business funds allowed for down payment, closing costs, and reserves. Must meet cash flow analysis, three (3) months business bank statements required. Newfi Underwriter will perform cash flow analysis.
Gift Funds	Min 5% Borrower contribution required for Primary Residence & 2nd Home with LTV > 75%. Minimum 10% Borrower contribution required for NOO. Follow FNMA Guidance - Gift funds must be from a family member, fiancé, or domestic partner Gift funds not acceptable for reserves
Crypto Currency	Crypto currency that has been converted to USD is an acceptable source of funds provided the crypto can be acceptably documented. Recently this asset type has gained more widespread popularity and documentation has improved. The documentation must show the acquisition date of the asset and it must show a sufficient history to meet 60-day seasoning requirements. Not all crypto currencies or crypto brokerages will provide for adequate documentation. An abundance of care must be used in reviewing statements provided.
Paying Off Debt to Qualify	Revolving accounts may be excluded if paid to zero - Account does not need to be closed Installment debt may be excluded if paid off and closed Paying down an installment loan to ten (10) months is allowed - Max DTI 40%
Reserves	All reserve requirements are based on subject property PITI or ITI if applicable If transaction fits 2 categories listed below, only the larger requirement applies Loan proceeds may be used to meet the reserve requirement 3 months PITI required for loan amounts of <= $750,000 6 months PITI required for loan amounts of <= $1.5mm 9 months PITI required for loan amounts > $1.5mm 12 months PITI required for loan amounts > $2.5mm 18 months PITI required for loan amounts > $3.5mm 6 months PITI required for LTV > 85% 2 months PITI on subject property when using 1007 rents with no lease

Acceptable Sources of Reserves	- Funds in non-cash holdings (stocks, bonds, mutual funds) are not required to be discounted. - Retirement accounts used for reserves. - Employer sponsored savings plans (like a 401k) require TOW from employer which allow for hardship withdrawal (not required for IRA) - Cash-Out proceeds (cash-out proceeds not acceptable to be used towards reserves for loan amounts greater than $3,500,000)
Unacceptable sources for Reserves	- Reserves may not come from a 1031 exchange account - Reserves may not come from gift funds - Cash-out proceeds not acceptable to be used towards reserves for loan amounts greater than $3,500,000
IPC (Interested Party Contributions)	Owner Occupied & 2nd Home - 6% for LTV's <= 80%, 4% for LTV's > 80% NOO - 3% for all LTV's
Property / Appraisal Information	
Acreage	No more than twenty (20) acres
Property Zoning	Zoning designations are determined by the City or County based on the property location, each governing entity has their own unique zoning titles or descriptions. The property's specific zoning will describe, in general, what type of activity is allowed, and the density that is allowed. Regardless of what the zoning designation is for the subject property, the property must meet the 3 requirements listed below. - The current usage of the subject property is residential - Residential must be an allowed usage of the subject property zoning - Residential must be the highest and best use of the subject property, as defined by the appraiser As long as the property passes the 3 question test listed above, the zoning designation is acceptable.
Non-Residential Improvements	Any non-residential improvements, like shops, storage structures, barns or animal shelters must meet the criteria listed below: - Must be minor in scope - Common for the area - They must have no impact on the property being residential in nature - They must be given only nominal contributory value by the appraiser and not impact marketability
Horse Improvements	Must be minor in nature and consistent with owner usage only. In general, a 1 to 4 horse stable is acceptable. Small fenced off riding areas are usually acceptable. Any improvements that indicate usage for more than the owner, like grandstands, parking areas, guest quarters or excessive vehicles, will make the property ineligible. The horse improvements must meet the following test: - Must be minor in scope - Common for the area - They must have no impact on the property being residential in nature They must be given only nominal contributory value by the appraiser and not impact marketability

Rural Properties	Allowed Max LTV/CLTV 70% Considered Rural when 2 of the 3 listed below are present **OR** the appraiser has designated the property as rural: - Non paved service road - 2 or more comps are > 5 miles away from the subject property - Subject surrounding area is less than 25% built up
Property Flips	A property is considered a flip if either of the following are true: - The purchase price exceeds the seller's acquisition cost by more than 10% if the property was acquired 90 or fewer days prior to the borrower's purchase contract date - The purchase price exceeds the seller's acquisition cost by more than 20% if the property was acquired 91 – 180 days prior to the borrower's purchase contract date If the property is a flip based on the guidance above, a second appraisal is required
Recently Listed Properties	Non-Owner Occupied - Rate & Term: Any active listing must be cancelled prior to going to closing - Cash Out: Properties listed for sale in the past six (6) months are acceptable only if locked with a prepayment penalty Owner Occupied and 2nd Home - Rate & Term: Properties listed at the time of application are eligible provided listing is cancelled prior to going to closing - Cash Out: Properties listed for sale in the past six (6) months are not allowed
Warrantable Condos	Established projects ONLY Detached units and small projects (2-4 condos) follow FNMA guidance (No HOA review required) HOA Review Type: follow FNMA requirements
Non Warrantable Condos	The following may be considered via exception. Exception pricing will be applied: - Investor concentration up to 70% - Commercial space up to 50% - Single owner/entity concentration up to 25% (for projects of 10 units or less, max 2-units - Annual budget allocation to reserves < 10% allowed with the following: - Appraisal shows no major repairs required AND - A lower annual allocation permitted if the following reserve balance thresholds are met: - 7% to 9.99% requires reserve fund balance of 50% of annual budget - 5% to 6.99% requires reserve fund balance of 75% of annual budget - 3% to 4.99% requires reserve fund balance of 100% of annual budget

Ineligible Properties	Condotels & resort style condos Unique style homes: earth, dome, etc. Property condition of C5 or C6 Working farms or ranches Leaseholds 3-4 units for loan amounts >$3.5MM
Appraisal Requirements	A second appraisal is required when any of the following exist: - The loan amount is greater than $2,000,000 - The transaction is a flip (see Property Flipping section) When a second appraisal is required, the value is based on the lower of the two (2) values. The second appraisal must be from a different company and appraiser than the first appraisal.
Appraisal Review	An appraisal review product is required on every loan unless a second appraisal is obtained, one of the three options below is acceptable: - CDA from Clear Capital OR - Collateral Underwriter (CU Score) less than 2.5 OR - A field review or a second appraisal is also acceptable – These must be from a different company and appraiser than the first appraisal If the CDA reflects a value of 10% or less below the appraised value, the appraised value is accepted If the CDA reflects a value of more than 10% below the appraised value, a field review or a second appraisal is required
Appraisal Age	Appraisal must be dated within 120 days of the note date Re-certs of value are allowed and valid for 120 days.
Transferred Appraisals	Allowed When two (2) appraisals are required, only one (1) appraisal can be transferred
Declining Property Value	If the trend of property values is downward, a declining market exists and a 5% LTV reduction from the LTV product matrices for LTVs greater than 70%

Texas 50(a)(6)	A Texas 50(a)(6) mortgage is a loan originated under the provisions or Article XVI, Section 50(a)(6), of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain circumstances. Any cash back is considered cash-out. Primary residence allowed only. All borrowers must be on title and occupy. - Max LTV / CLTV is 80% - No interest-only - No prepayment penalties - Only 1 Unit properties are allowed: SFR (attached or detached), PUD (attached or detached), Condominium - New subordinate financing is not permitted, HELOC subordinate financing is not permitted (existing HELOC must be closed), an existing Texas 50(a)(6) second mortgage may not be re-subordinated to a new Texas 50(a)(6). Must be paid off at closing - At least one new full appraisal is required - No Foreign Nationals - 1-year seasoning of prior Texas 50(a)(6) loan required - Loan cannot close until 12 calendar days after the "Notice Concerning Extensions of Credit" is signed - Borrower-paid fees cannot exceed 2% of loan amount
Texas 50(f)(2)	A Texas Section 50(f)(2) mortgage is a rate and term refinance of an existing Texas 50(a)(6). - Max LTV / CLTV is 80% - ZERO cash back allowed. Proceeds to pay off only existing Texas 50(a)(6) lien, other permitted liens on homestead (property taxes, owelty lien, mechanic's lien), actual costs and reserves required by lender to refinance - 1-year seasoning of prior Texas 50(a)(6) loan required - Loan cannot close until 12 calendar days after the "Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan" is signed
Loan Amounts Greater than $3,500,000: Overlays	Credit: 0X30X24 required on all mortgage accounts Reserves: 18 months PITI required. - Reserves cannot come from loan proceeds Cashout Restrictions: - $2.5m max allowed equity withdrawal - Texas (a)(6) not available DTI: Max 45% Income: CPA P&L, CPA Gross Receipts, 1099 Program, and 12-month Bank Statement are not available Property: Non-Warrantable condo & 3-4 units are not allowed. - 2 appraisals required - Transferred appraisals not allowed Product Restrictions: Buydown Product option is not available