Change WHOLESALE

INVESTOR

ALT-QM UNDERWRITING GUIDELINES

10/23/2026

TABLE OF CONTENTS

Overview....5
INVESTOR....6
- Program Eligibility....6
- Loan Amounts....6
- Minimum FICO....7
- Maximum LTV/CLTV....7
- Interested Party Contributions (Seller Contributions)....7
- Escrows – Impound Accounts....7
- Secondary Financing....7
- Age of Documents....7
- Fees....7
- Borrower Statement of Occupancy....8
- Borrower Contact Consent Form....8
- State and Federal High-Cost Loans....8
- Prepayment Penalty....8
- Underwriting....8
- Interest Credits....8
- Assumability....8
- Property Insurance....9

TRANSACTION TYPES....9
- Eligible Transactions....9
- Non-Arms Length and Interested Party Transactions....11

BORROWER ELIGIBILITY....12
- First Time Home Buyers....12
- First Time Investor....12
- Residency....13
- US Citizen....13
- Permanent Resident Alien....13
- Non-Permanent Resident Alien....13
- Inter Vivos Revocable Trust....14
- Ineligible Borrowers....14

CREDIT....15
- Credit Reports....15

Credit Inquiries 15
Housing History 15
Consumer Credit 16
Bankruptcy History 17
Foreclosure Seasoning 17
Short Sale/Deed in Lieu Seasoning 18
Loan Modification 18
Credit Score 18
Tradeline Requirements 18
Obligations Not Appearing on Credit Report 19
ASSETS 19
Documentation Options 19
Business Funds 20
Reserves 20
Gift Funds 20
Ineligible Assets 21
INCOME 22
Debt Service Coverage Ratio 22
PROPERTY ELIGIBILITY 25
Appraisals 25
Ineligible Property Types 27
Property Flipping 27
Title Vesting & Ownership 28
Power of Attorney 30
Leasehold Properties 31
Limitations on Financed Properties 31
Disaster Areas 31
Condominiums 32
EXHIBIT A: BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT 34
EXHIBIT B: CONDOMINIUM PROJECT QUESTIONNAIRE 36
EXHIBIT C: CONDOMINIUM PROJECT WARRANTY CERTIFICATION 42
EXHIBIT D: BORROWER CONTACT CONSENT FORM 43
EXHIBIT E: CONSENT OF SPOUSE 44
EXHIBIT F: LLC BORROWING CERTIFICATE – SINGLE MEMBER 45

EXHIBIT G: LLC BORROWING CERTIFICATE – MULTIPLE MEMBER 46
EXHIBIT H: PERSONAL GUARANTY AGREEMENT 47
EXHIBIT I: SHORT TERM RENTAL INCOME ANALYSIS FORM SAMPLE 49

OVERVIEW

Alt-QM guidelines are structured to guide its users towards making common sense lending decisions on loans to borrowers who may have limited access to credit. These borrower's situations generally require the consideration of alternative forms of documenting income and/or compensating factors which offset risk indicated by a recent credit event or elevated debt-to-income ratio.

Loans eligible for sale to a Government Sponsored Entity (Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") are not eligible for the Alt-QM programs.

Borrowers with a loan under the Investor Program must certify that they understand that consumer protection laws applicable to consumer loans will not apply to their business-purpose loan, including the 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*.

Change WHOLESALE — Investor

Effective Date: 10/23/2026

FICO & LTV/CLTV		DSCR >= 1.00			DSCR >= 0.75		
FICO	Loan Size	Purchase	Rate/Term Refi	Cash Out	Purchase	Rate/Term Refi	Cash Out
740	≤ $1.5m	85	80	75	70	70	70
	≤ $2.0m	80	80	75	70	70	70
	≤ $2.5m	75	75	70	65	65	60
720	≤ $1.5m	80	80	75	70	70	70
	≤ $2.5m	75	75	70	65	65	N/A
700	≤ $1.5m	80	75	70	70	70	65
	≤ $2.0m	75	75	70	70	70	65
	≤ $2.5m	70	70	65	65	65	N/A
680	≤ $1.5m	75	75	65	N/A	N/A	N/A
	≤ $2.0m	65	65	N/A	N/A	N/A	N/A
660	≤ $1.5m	70	70	65	N/A	N/A	N/A
	≤ $2.0m	60	60	N/A	N/A	N/A	N/A

Income Qualification

DSCR Calculation	Gross Rent/PITIA or Gross Rent/ITIA (Interest Only)

Reserves

$125,000 – $500,000	3 Months
$500,001 – $1,500,000	3 Months
$1,500,001 – $2,500,000	6 Months
Additional Financed Properties	None
Cash Out Used as Reserves	Allowable

Additional Program Information

Interest Only Restrictions (DSCR = 1.00+)	Min 700 FICO, Max 80% LTV
Interest Only Restrictions (DSCR = 0.75-0.99)	Min 700 FICO, Max 75% LTV
Interest Only Restrictions (DSCR < 0.75)	Not Eligible
Personal Guarantee	Required
Prepay Penalties by State	Permissable by Law

General Requirements

Product Type	5/6 ARM, 10/6 ARM, 30 Year Fixed (IO)
Loan Amount	$2.5mm max, $100k min
Occupancy	Investment Only
Max LTV, Min FICO	85%, 660
Payment History	0x30x12
Credit Event Seasoning (BK,FC,SS,DIL)	> 3+ Years
Interest Only	Eligible (10/20 IO), ARMs & Fixed
Interest Only Restrictions	Min 700 FICO, (Refer to Additional Program Information grid below for DSCR restrictions)
Min DSCR	0.75
ARM Margin	5.00%
Short Term Rents - LTVs > 65% up to 80% max LTV	AirDNA Additional requirements: Min DSCR of 1.15, min 700 FICO and an additional 6 months reserves

Cash Out Requirements

LTV >60%	$500k (Max Cash Out)
LTV <=60%	Unlimited Cash Out

Borrower Eligibilty

First Time Homebuyer	Not Permitted
First Time Investor	Eligible, No Restrictions
Permanent Resident Alien	Eligible, No Restrictions
Non-Permanent Resident Alien	Max 75% LTV / CLTV

Property Type

2-4 Units	Max 80% LTV
Warrantable Condos	Max 75% LTV
Florida Warrantable Condos	Max 70% LTV
Non-Warrantable Condos	Max 75% LTV
Rural Properties	Not Eligible

Additional Program Requirements

Appraisal	Loan amounts over $2,000,000 automatically require two appraisals. Every appraisal requires a Desk Review. Properties with a condition rating of C5 or C6 or a quality rating of Q6 are not acceptable. *Properties within a Declining Market require a 5% reduction to the max LTV/CLTV offered (refer to grid above).
Assets	Assets sourced and seasoned for 30 days.
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit - max 75% LTV)
Credit	Standard one (1) tradelines reporting satisfactorily for 12+ months with activity in the most recent 90 days. Mortgage payment history is required for the subject property only, if applicable. Only the subject property and primary residence (if owned) need to be disclosed on the 1003.
DSCR	Debt Service Coverage Ratio = Gross rental income/PITIA; Gross income = lesser of market rent or lease in place. DSCR calculations less than 75% are not eligible.
First Time Investors	First Time Investors that meet all program requirements are permitted without any restriction.
Gift Funds	Gift funds are acceptable as 100% down payment for loans <75% LTV. Gift funds are acceptable for loans >=75% LTV with 5% minimum borrower contribution.
LLC Loan	Property vested in LLC loan must have Personal Guarantor(s).
Max Financed Properties	Maximum 20 financed properties including subject property.
Prepayment Penalty	Where permitted by applicable laws and regulations. Total points, fees and APR may not exceed current state and federal high-cost thresholds.
Property Types	Single Family Residences, PUDs, Townhomes, Condominiums, Non Warrantable Condos and 2-4 Units. Manufactured Homes and Log Homes are not permitted.
Qualifying Rate	Fixed = Note Rate; 5/6m and 10/6 ARM = Greater of Note Rate or Fully Indexed Rate
Qualifying Payment	All: Use Qualifying Rate (refer to box) for calculating PITIA Interest Only: qualifying using the interest only payment
Seller Concessions	Up to 6%
Subordinate Financing	Not permitted

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INVESTOR

PROGRAM ELIGIBILITY

- **Investor -** Program geared toward investors (Business Purpose) with alternative qualifications based on cash flow of the property and rental income vs. PITIA.

The following loan products are eligible:

Fully Amortizing

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed

Interest-Only

- 5/6 Month SOFR: (2/1/5 Cap Structure)
- 10/6 Month SOFR: (5/1/5 Cap Structure)
- 30 Year Fixed

Interest Only Period: Available for 10 years on all ARM & 30 Year Fixed rate products
*Refer to program matrices for allowable LTV/CLTVs.

Amortization Period: 30 Year

Refer to program matrices for additional requirements.

Qualifying Rate (All Doc Types):

Fixed: Qualify borrower(s) at the Note Rate.

ARMs: 5/6 Month & 10/6 Month ARM - Qualify borrower(s) at the greater of the Fully Indexed Rate or Note Rate.

Qualifying Payment

Qualifying Ratios are based on the fully amortized payment (using the qualifying rate noted above), over the fully amortized term of the loan. For Interest Only transactions – the qualifying ratios are based on the initial interest only payment. DSCR ratios less than 75% are not permitted.

LOAN AMOUNTS

Minimum Loan Amount

- $100,000

Maximum Loan Amount

- $2,500,000

MINIMUM FICO

- 660

MAXIMUM LTV/CLTV

- 85% / 85%

INTERESTED PARTY CONTRIBUTIONS (SELLER CONTRIBUTIONS)

Investor:
Up to 6%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

ESCROWS – IMPOUND ACCOUNTS

Escrows for taxes and insurance are required on all loans with LTVs greater than 80%, unless otherwise specified by applicable state law.

Escrows for taxes and insurance are required for all HPML loans.

SECONDARY FINANCING

Not permitted.

AGE OF DOCUMENTS

Per FNMA standard guidelines.

FEES

Standard fee of $1,795 for Wholesale

Retail follows Standard State Fees.

BORROWER STATEMENT OF OCCUPANCY

Investment Properties

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the "Business Purpose & Occupancy Affidavit" in EXHIBIT A of this guide.

BORROWER CONTACT CONSENT FORM

To assist the loan servicer in contacting the borrower in a timely manner, the Loan Officer is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form (Exhibit D) in the Exhibit section of the Guide.

STATE AND FEDERAL HIGH-COST LOANS

High-cost loans are not allowed.

PREPAYMENT PENALTY

For Investment Property transactions when permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed if prepayment occurs between the first twelve (12) to sixty (60) payments due on the loan.

- The following states are subject to local jurisdiction prepayment penalty rules and regulations:
    - District of Columbia, Illinois, Maryland, Michigan, Mississippi, New Jersey, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, and Washington.
- Not allowed in Alaska, New Mexico or Pennsylvania (loan amounts < $329,411 on 1-2 Units including condos).

UNDERWRITING

All files are manually underwritten.

INTEREST CREDITS

Loans closed within the first 5 days of the month may reflect an interest credit to the borrower.

ASSUMABILITY

Loans are not assumable.

PROPERTY INSURANCE

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement.

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer (including guaranteed replacement, if applicable); or
- The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

For insurance not addressed in this section, default to Fannie Mae requirements.

Rent Loss Insurance

Rent loss insurance covering a minimum of 6 months of the rental figure used to qualify is required for the subject property on all DSCR transactions.

TRANSACTION TYPES

ELIGIBLE TRANSACTIONS

Purchase

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV based upon the lessor of the sales price or appraised value.
- In the event the Seller is an entity (including, without limitation, an LLC or partnership), the Seller must provide documentation identifying all current members, along with authorized signors, to ensure full transparency.

Rate/Term Refinance

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Any subordinate loan not used in the acquisition of the subject property provided one of the following apply:
    - Closed end loan, at least 12 months of seasoning has occurred;
    - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than $2,000. HELOC must be closed.
- Buying out a co-owner pursuant to an agreement.
- Properties listed for sale must be taken off the market at least 90 days prior to disbursement of the refinance loan or a 1 year prepayment penalty is required.
- For properties listed for sale within the most current 12 months, the listing price must be reconciled against the current appraised value. The lower of the two must be used to qualify and determine LTV/CLTV.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- LTV/CLTV based upon the current appraised value.

Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term refinance
- A mortgage secured by a property currently owned free and clear is considered cash out.
- The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out.
- The borrower must indicate the purpose of the cash out proceeds. Cash out proceeds must be solely for business purposes.
- Properties listed for sale must be taken off the market at least 90 days prior to disbursement of the refinance loan or a 1 year prepayment penalty is required.
- For properties listed for sale within the most current 12 months, the listing price must be reconciled against the current appraised value. The lower of the two must be used to qualify and determine LTV/CLTV.
- Loans not eligible for cash-out:
    - A prior cash out transaction within the last 12 months unless a documented benefit exists.
- See Change Wholesale Matrices for cash-out limits.

Seasoning Requirements:

- Cash-Out Seasoning is defined as the difference between application date of the new loan and prior financing note date or date of purchase.
- If owned for less than 12 months, use lesser of purchase price plus documented improvements or appraised value. If more than 12 months use appraised value.
- Cash-Out Seasoning of less than (6) months is not permitted unless the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation).
    - If the property was owned by an LLC that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement.

- If the property was owned by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.

Delayed Financing

- Delayed Financing within 6 months of original purchase is allowed with the following restrictions:
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the lower of the initial purchase price or current appraised value.
  - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - At least one of the following must exist:
    - No mortgage financing was used to obtain the property.
      - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed or similar alternative confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale).
      - The preliminary title search or report must confirm that there are no existing liens on the subject property, or the existing lien being refinanced was taken out after the property was obtained as evidenced by a copy of the note.
    - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
    - The lender has documented that the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
    - Subject loan proceeds can be applied towards reserve requirement.
    - All other rate & term refinance eligibility requirements are met. Rate & Term pricing applies.

NON-ARMS LENGTH AND INTERESTED PARTY TRANSACTIONS

Non-Arm's Length

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales and flip transactions.

When the property seller is a corporation, partnership, or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage).

Interested Party Transaction

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.
In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example, the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser, and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required.

Non-Arm's Length and Interested Party Transactions Eligibility

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction
    - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves
- Seller(s) representing themselves as agent in real estate transaction is allowed
- Borrower to provide cancelled check verifying the earnest money deposit
- Employer to employee sales or transfers not allowed
- Property trades between buyer and seller not allowed

Non Arm's Length and Interested Party transaction overlays:

- Personal gifts or gifts of equity are not permitted
- Max 70% LTV

BORROWER ELIGIBILITY

FIRST TIME HOME BUYERS

- Definition: An individual is considered to be a first-time home buyer if they have had no ownership interest in a residential property in the most current 3-year period.

- Not permitted

FIRST TIME INVESTOR

- Definition: An individual who currently owns residential property, but the property is not currently designated for investment/tenant occupancy.

- Permitted with no additional requirements.

RESIDENCY

Eligible	• U.S. Citizen • Permanent Resident Alien (see requirements that follow) • Non-Permanent Resident Alien (see requirements that follow)
Ineligible	• Applicants possessing diplomatic immunity • DACA & asylum applicants • Foreign National • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list.

US CITIZEN

Eligible without guideline restrictions

PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency include the following:
  - Alien Registration Receipt Card I-151 (referred to as a green card).
  - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
  - Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
  - Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."
- Eligible without guideline restrictions.
- A fully executed Certification of Resident Alien Status Form must be provided at time of submission.

NON-PERMANENT RESIDENT ALIEN

An alien admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA
  - Visa must be current and may not expire for a minimum of 1 year following the close date.
  - When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer.
- Loan terms must meet the following criteria:
  - Maximum 75% LTV/CLTV

INTER VIVOS REVOCABLE TRUST

An inter vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be met. Not all requirements may be addressed; Fannie Mae requirements should be followed if these guides are silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if 2 or more); or
- An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.

The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage. The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
    - The trust is revocable,
    - The borrower is the settler of the trust and the beneficiary of the trust,
    - The trust assets may be used as collateral for a loan,
    - The trustee is:
        - Duly qualified under applicable law to serve as trustee,
        - The borrower,
        - The settler,
        - Fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets.

In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.

INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Life Estate Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- DACA & asylum applicants
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM findings

CREDIT

CREDIT REPORTS

Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility.

The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

CREDIT INQUIRIES

Any credit inquiries listed on the report within 90 days of the report date must be explained by the borrower. If new credit was extended borrowers must provide documentation on the current balance and payment. If no credit was extended borrower must state the purpose of the inquiry. Borrowers are obligated to inform the Loan Officer of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

HOUSING HISTORY

Mortgage payment history is required for the subject property only. If a borrower's mortgage history for the subject property is not reported on the credit report, alternative documentation showing the most recent 12-month history must be provided.

Mortgage Payment History – Forbearance/Payment Deferment Clarification

For recent forbearance: 12 months seasoning required after borrower exits forbearance plan.

Mortgage Payment History Documentation

If adequate mortgage payment history is not included in the borrower's credit report one of the following must be provided to verify the borrower's payment history:

- A standard mortgage verification; **or**
- Loan payment history from the servicer; **or**
- The borrower's canceled checks for the last 12 months; **or**
- The borrower's year-end mortgage account statement provided the statement includes a payment receipt history, and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.

Private Mortgages

If the subject transaction is a cash out refinance or the LTV exceeds 70% and the mortgage being paid off is a private mortgage (not serviced by an independent 3rd party) then proof the most recent 12 months payments have been paid as agreed must be documented with the original recorded Note, Deed of Trust and canceled checks and/or bank statements.

For refinance transactions: Short payoffs tied to the subject property are not permitted. A short payoff occurs when the Lender being paid off agrees to accept a balance less than the outstanding loan amount to release their lien on the property.

Only the subject property and primary residence (if owned by the borrower) need to be disclosed on the Schedule of Real Estate Owned.

Any other non-subject properties disclosed on the Schedule of Real Estate do not require mortgage ratings, including the primary residence, if financed. Non-subject mortgages that do not report on credit do not need to be added to the loan application. Rental payment history is not required for borrowers who currently rent.

Note: Any other mortgage late(s) disclosed within the most recent 12 months on the borrower's credit report are still considered for qualifying purposes, whether tied to the subject property or not.

CONSUMER CREDIT

Consumer Credit History

All mortgage accounts must be current at application and remain paid as agreed through closing.

Delinquent credit belonging to ex-spouse can be excluded if the late payments occurred after the divorce/separation, and divorce decree/separation agreement indicates derogatory accounts belong solely to the ex-spouse.

Timeshares

Timeshare obligations will be treated as a consumer installment loan.

Alimony/Child Support

Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payer. Otherwise, include as a liability. Child support must be included as a liability. Alimony or child support with less than 10 months' payments remaining based on the Note date may be excluded from the DTI, as long as the borrower has the assets to make the remaining payments.

Consumer Credit Charge-Offs and Collections

- Individual or aggregate collection and non-mortgage charge-off accounts totaling greater than $5,000 must be paid in full prior to or at closing.
- Medical collections may remain open regardless of amount.
- 2nd mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods based upon the charge off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded. Evidence of expiration must be documented.

Charge-offs and collections not excluded by the above bullet points must be paid in full or may stay open if additional reserves are documented covering the full balance owed. Proceeds from the subject cash-out transaction are ineligible for use in paying off such accounts. Furthermore, in business-purpose transactions, cash-out proceeds may not be applied toward the required additional reserves when the charge-off or collection account is a personal obligation.

Disputed Accounts

When the credit report contains tradelines disputed by the borrower:

- If the tradeline is paid as agreed, no further action is required.
- If the tradeline is tied to a medical debt/collection, no further action is required.
- If the disputed account is reporting any derogatory payments within the most recent 24 months one of the following must be obtained:
    - Provide a credit supplement verifying the disputed information is accurate – must reflect the derogatory payments as removed/erroneous. If the derogatory payments were reported in error then nothing further is required outside of the credit supplement reporting the accurate payment history.
    - If the derogatory payment information is accurate – the dispute must be removed and credit must be repulled to ensure the borrower's qualifying FICOs are directly affected by the recent late payments.

Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing. Proceeds from the subject business purpose cash-out transaction are ineligible for use in paying off such accounts if they are considered personal/consumer debt.

Income Tax Liens

All income tax liens (federal, state, local) disclosed on title must be paid off prior to or at loan closing. Proceeds from the subject business purpose cash-out transaction are ineligible for use in paying off such accounts if they are considered personal/consumer debt.

Tax liens that do not impact title may remain open provided the following are met;

- The file must contain a copy of the repayment agreement
- A minimum of 6 payments has been made under the plan with all payments made on time

BANKRUPTCY HISTORY

All bankruptcies must be settled at time of application. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the note date. Please refer to the program matrices for requirements.

Bankruptcy seasoning required for the Investor program is 36 months (all bankruptcy types).

FORECLOSURE SEASONING

Foreclosures require a letter of explanation from the borrower. The situation causing the foreclosure must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple foreclosures exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.

In the case of a foreclosure which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; and b) the foreclosure completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the foreclosure date will be used. Active foreclosures are not allowed.

Foreclosure seasoning required for the Investor program is 36 months.

SHORT SALE/DEED IN LIEU SEASONING

Short Sales or Deed-in-Lieu of Foreclosures require a letter of explanation from the borrower. The situation causing the Short Sale / Deed-In-Lieu must be adequately documented as resolved. The new housing payment must be considered when determining if the situation is adequately resolved. If multiple Short Sales and/or Deed-In-Lieu exist in this time frame each must be addressed in the explanation. The length of time is measured from the settlement date to the note date.
In the case of a short sale/deed-in-lieu which was included in Bankruptcy, the seasoning timeline will start from the earlier of: a) the date of discharge of bankruptcy; or b) the short sale/deed-in-lieu completion date. Re-established credit of at least 2 tradelines paid as agreed for 12 months is required or the completion date will be used. Short Sale or Deed-In-Lieu currently in process are not allowed.

Short Sale / Deed in Lieu seasoning required for the Investor program is 36 months.

LOAN MODIFICATION

Loan modifications are treated as a short sale / deed-in-lieu for grading and pricing purposes. Servicing retention related interest rate modifications are excluded from the seasoning requirement. A letter or explanation from the borrower addressing the situation that made modification necessary must be provided. The current housing payment history along with the new housing payment must be considered when determining if the situation is adequately resolved.

Loan modification seasoning required for the Investor program is 36 months.

CREDIT SCORE

Credit Score Selection:

- **Decision Score Definition-** Minimum of one borrower with two credit scores. Use the lower of the two credit scores or the median if there are three credit scores.
- **Investor Program:** Use decision score amongst all borrowers/guarantors who will be on the Note and Title.

TRADELINE REQUIREMENTS

Standard Tradelines

- One (1) tradeline reporting satisfactorily for 12+ months with activity in the most recent 90 days.

- Borrowers who choose not to carry outstanding credit/debt that do not meet the tradeline requirement but do meet the FICO requirements and can demonstrate a history of positive and strong credit depth may be considered as eligible on a case-by-case basis. Underwriter approval is permitted if supported by documentation provided.

The following are <u>not acceptable to be counted as a tradeline:</u>

- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Disputed accounts
- Non-Traditional accounts
- Charge-offs, collection accounts,
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

OBLIGATIONS NOT APPEARING ON CREDIT REPORT

<u>Current Debt Obligations, Alimony, and Child Support</u>

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

ASSETS

DOCUMENTATION OPTIONS

Full asset documentation is required for both funds to close and reserves. For most asset types this would include all pages of the most recent one-month (1) statement, the most recent quarterly statement, or FNMA approved 3rd party direct pull services.

- Account Statements should cover most recent 30-day period, all pages are required.
- VOD should be dated within 30 days of closing date;
- Stocks/Bond/Mutual Funds -100% of stock accounts can be considered in the calculation of a assets for closing and reserves;
- Vested Retirement Account funds – 100% may be considered for closing and/or reserves;
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Life insurance policy cash value or loan against the cash value may be used for down payment, closing costs and/or reserves.

- Bitcoin or other forms of cryptocurrency are permitted for both funds to close, and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements are not applicable given liquidation.
- If needed to close, verification that funds have been liquidated (if applicable) is required.
- Large deposits do not need to be sourced on Investor DSCR transactions.
- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset is not a party to the subject sale transaction or the mortgage financing transaction. Documentation supporting borrower ownership of the asset, independent valuation of the asset, ownership transfer of the asset and borrower's receipt of sale proceeds is required.
- Assets held in foreign accounts are acceptable and must be thirty (30) days seasoned with 1 (one) month's most recent bank statement. A currency calculation must be provided. Assets from countries under OFAC sanctions are not permitted.

BUSINESS FUNDS

Business funds may be used for down payment, closing costs and for the purposes of calculating reserves. The borrower must be listed as an owner of the account and the account needs to be verified per requirements in this Guide.

Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example, if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify.

RESERVES

Refer to the applicable Change Wholesale loan program matrix for the reserve requirements by program.

- Reserves must be sourced and documented per guidelines.
- Reserves are calculated off actual P&I payment, plus taxes, insurance, and HOA fees (PITIA)
- Reserves for an Interest Only (IO) loan will be based on the initial Interest Only payment (ITIA)
- Proceeds from 1031 Exchange cannot be used to meet reserve requirements.
- Cash out can be used as reserves.
- Reserves are not required for any additional financed properties. Reserve requirement is based on the subject property only.

GIFT FUNDS

Gift Funds are acceptable if the following applies:

- Purchase transactions only
- Borrower(s) meet(s) reserve requirement with their own documented funds.
- Fannie Mae guidelines are used for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.

Down Payment Requirements:

- Gift funds are acceptable as 100% down payment for loans < 75% LTV/CLTV
- Gift funds are acceptable for loans ≥ 75% LTV/CLTV however the underlying borrower(s) must contribute at least 5% of the down payment from their own funds.

Gift funds are not permitted for:

- Investment properties > 80% LTV/CLTV
- Meeting the transaction's reserve requirements

Gifts of Equity are not permitted.

INELIGIBLE ASSETS

- Down payment assistance programs
- Grant Funds
- Builder Profits
- Employer Assistance Assets
- Cash advance on credit card
- Cash for which the source cannot be verified (cash on hand)
- Commission from sale of subject property
- Proceeds from an unsecured loan
- Salary advance
- Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
- Unverifiable source of funds
- Margined Assets and/or Pledged Assets listed within client accounts are not eligible as a source of funds or reserves.
- Stock options and non-vested restricted stock
- Non-vested stock
- Reverse mortgage
- Pension fund
- Seller Real Estate Tax Credit
- IRS 1031 Tax Exchange not allowed on primary residences or second homes
- Gift of Equity
- Rent credits

INCOME

DEBT SERVICE COVERAGE RATIO

The Debt Service Coverage documentation option is only allowed on the Investor Program and property income is used to qualify the transaction. Debt Service Coverage is available to experienced homeowners purchasing or refinancing investment properties to hold for business purposes. The borrower is required to sign a Business Purpose & Occupancy Affidavit (Exhibit A).

Restrictions

- See Investor Program matrices for max LTV;
- Minimum 660 credit score.
- Any transaction where the cash out proceeds would be utilized for personal use would not be eligible
- Tax returns and IRS Form 4506C are not required for the program.

Borrower Income

- Debt to Income Ratios are not calculated - no income or job information is required on the URLA.

Documentation Requirements

- **Purchase**
    - Long-Term Rents (30+ days or more) – calculate by using the lower of the following:
        - 1007 validating current market rents, or
        - The executed lease agreement in place (if applicable).
            - If executed lease agreement being transferred from the Seller to our borrower reflects a higher monthly rent than the 1007 provided by the Appraiser, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months must be documented and transfer of lease must be evident within the executed purchase contract.
    - Short-Term Rents (29 days or less) – eligible up to max 80% LTV - one of the following must apply:
        - Form 1007, 216 or 1025 (for 2-4 units) is required to determine current long term market rents,
        - Appraiser to provide a Short Term Rental Income Analysis that evaluates the market, property and pricing strategies to determine the optimal rental rates and maximize profitability for short-term rentals. (Refer to Exhibit I for a sample Short Term Rental Income Analysis Form)
        - Seller to provide proof of receipt for the most recent 12-month period derived from an accredited 3rd party – subject to validation. The DSCR factor is calculated using the most recent documented 12-month average.
        - AirDNA "Rentalizer"
            - Utilization of AirDNA short term rents to qualify is subject to area relevance (resort/vacation areas, proximity to colleges, etc.) – subject to UW discretion. LOE for further clarification or information may be required.
            - Occupancy factor as disclosed on the AirDNA Rentalizer printout must be at least 50% or greater to be eligible.
            - Market score must be 60 or greater as reflected on the AirDNA Rentalizer printout.

- Qualifying rental income calculation = Annual Revenue divided by 12.
- CHM UW is to re-pull the AirDNA "Rentalizer" online to validate the information provided and also must notate the qualifying short-term rental calculation on the 1008.
- Additional requirements for LTVs > 65% up to 80% max LTV (short term rents are not eligible for LTVs exceeding 80%):
    - LTVs = 65.01% up to 75%
        - Minimum 1.15 DSCR factor
        - Minimum 700 FICO
    - LTVs > 75% - 80%:
        - Minimum 1.15 DSCR factor
        - Minimum 700 FICO
        - An additional 6 months reserves are required in addition to the standard reserve requirement

- **Refinance**
    - Form 1007, 216 or 1025 (for 2-4 units) is required to determine current market rents (long term or short term, if available),
    - Existing lease agreement(s),
        - If executed lease agreement reflects a higher monthly rent than the 1007 provided by the Appraiser, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months must be documented.
    - If new lease it must include copy of lease along with proof of receipt of damage deposit and first month's rent.
    - Short-Term Rentals: Eligible up to max 80% LTV along with one of the three following STR income requirements.
    - Short-Term Rentals (29 days or less): 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-month period is required. Use documented 12 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that particular month. Most recent month's rental figures must be consistent with receipt patterns over the last 12 months. The DSCR factor is calculated using the most recent documented 12-month average.
    - Short-Term Rental (29 days or less) – Short Term Rental Income Analysis
        - Appraiser to provide a Short Term Rental Income Analysis that evaluates the market, property and pricing strategies to determine the optimal rental rates and maximize profitability for short-term rentals. (Refer to Exhibit I for a sample Short Term Rental Income Analysis Form)
    - Short-Term Rents (29 days or less) – AirDNA "Rentalizer"
        - Refinance transactions where the borrower can document the recent and current vacancy is due to a remodel or renovation may utilize AirDNA rents to qualify.
        - Utilization of AirDNA short term rents to qualify is subject to area relevance (resort/vacation areas, proximity to colleges, etc.) – subject to UW discretion. LOE for further clarification or information may be required.
        - Occupancy factor as disclosed on the AirDNA Rentalizer printout must be at least 50% or greater to be eligible.
        - Market score must be 60 or greater as reflected on the AirDNA Rentalizer printout.

- Qualifying rental income calculation = Annual Revenue divided by 12.
- CHM UW is to re-pull the AirDNA "Rentalizer" online to validate the information provided and also must notate the qualifying short-term rental calculation on the 1008.
  - Additional requirements for LTVs > 65% up to 80% max LTV (short term rents are not eligible for LTVs exceeding 80%):
    - LTVs = 65.01% up to 75%
      - Minimum 1.15 DSCR factor
      - Minimum 700 FICO
    - LTVs > 75% - 80%:
      - Minimum 1.15 DSCR factor
      - Minimum 700 FICO
      - An additional 6 months reserves are required in addition to the standard reserve requirement

- For vacant or properties that are currently not leased the max LTV is 70%. A 1007, 216 or 1025 (for 2-4 units) is still required to validate current market rents.
- Properties currently being occupied by non-paying tenants/family members are not eligible for this business purpose program as the property does not debt service

- **ADU Rental Income – when it is derived from an ADU (Accessory Dwelling Unit) attached to the subject property:**
  - If the subject property contains an accessory unit that is used as a rental the income is eligible under the following conditions:
    - The property must meet the ADU requirements as defined within the Appraisal & Property Eligibility section of these guidelines.
    - Rental income may be used for the ADU subject to the following:
      - Appraisal to reflect zoning compliance is legal
      - The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
      - **For refinance transactions:** The market rent for the ADU should be documented with a 1007 and a copy of the current lease agreement. If the current lease agreement reflects rental income greater than the 1007 provided the higher figure can be used as long as two (2) months current receipt of the income is documented. The figure being used must be qualified at 75%.
      - **For purchase transactions:** The market rent for the ADU should be documented with a 1007 and a copy of the current lease agreement from the Seller being transferred to our borrower, if applicable. The rents are to be qualified at 75% of the 1007 provided by the appraiser.

Debt Service Coverage Ratio

Debt Service Coverage Ratio is the Monthly Gross Income divided by the proposed PITIA of the subject property (not the qualifying payment). The DSCR calculation with an Interest Only feature is based on the Monthly Gross income divided by the proposed Interest Only PITIA payment.

See the Investor matrix for required Debt Service Coverage Ratios and specific calculations.

EXAMPLE: DEBT SERVICE COVERAGE RATIO

Single Family Purchase Money Transaction

Monthly PITIA = $650

Estimated Monthly Market Rent (Form 1007) = $850

Existing Lease Monthly Rent = Not Available

Gross Market Rent = $850 *(Estimated Monthly Market Rent when a lease is not available for a purchase transaction)*

Gross Income = $850

÷ PITIA = $650

DSCR = 1.30

PROPERTY ELIGIBILITY

APPRAISALS

Appraisal Requirements

Full Interior / Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

- The Appraisal should be dated no more than 120 days prior to the Note Date. After a 120-day period, a new appraisal report is required.
- A Desk Review or Second appraisal is required on every transaction.
- All Investment Property transactions require a Form 1007, 216 or 1025 (for 2-4 units). A Short Term Rental Income Analysis Form can also be provided, in addition when applicable, to determine current market rents.
- Legal non-conforming zoned properties must indicate that the subject property can be rebuilt if severely damaged or destroyed.
- Appraisals with condition rating of C5 or C6 or quality rating of Q6 are not permitted.

Second Appraisal

A Second Appraisal from a Change Wholesale approved AMC is required when any of the following conditions exist. When a second appraisal is provided, the transactions "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.

- Loan amount exceeds $2,000,000
- The transaction is a flip as defined in the Property Flipping section of this guide
- As required under the Appraisal Review Products section of this guide
- Underwriter Discretion

Appraisal Review Requirements

An appraisal review product is required on every appraisal required for the transaction. The options include the following:

- An enhanced desk review, or
- A field review or second appraisal from a Change Wholesale approved AMC is acceptable. The field review or 2nd appraisal may not be from the same appraisal company as the original report.

If the Appraisal Review Product reflects a value more than 10% (or more than 5% if the LTV exceeds 85%) below the appraised value or cannot provide a validation, the next option in the review waterfall must be followed. The next option would be either a field review or second appraisal; both must be from a different appraisal company and appraiser than the original appraisal. On transactions when the difference in appraised value is less than 10%, the acceptability of the appraisal is subject to UW Management review and discretion. The final appraised value is based on the lowest reported value amongst all of the appraisal documents/reviews.

Minimum Square Footage

- Single Family Residence - minimum 700 square feet
- Condominiums – minimum 400 square feet
- 2-4 units – minimum 250 square feet per individual unit - subject to a max of one of all total units, appraisal including similarly sized comparables (at least one) and market acceptance.

Declining Markets

Properties located within a Declining Market as defined by the appraiser require a 5% reduction to the max LTV/CLTV offered.

Rural Property

A property is classified as rural if any the following conditions exists:

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

Rural properties are not permitted under the Investor DSCR program.

Accessory Dwelling Units (ADUs)

Properties with accessory dwelling units are acceptable if all of the following requirements are met:

- Property is typical, readily acceptable, and common in the subject's market area.
- Property conforms to all zoning laws and regulations.
- Property is a Single Family Residence (1 Unit) with one ADU.
    - Single Family Residences (1 Units) with more than one ADU or a 2-3 Unit property with an ADU are permitted when the ADU structures added conform to all zoning laws and regulations. The appraiser must specifically confirm compliance with local zoning laws and regulations. Total number of dwellings & ADUs cannot exceed more than four (4).
- Appraisal contains at least 2 comparable properties with similar additional accessory units.
- Accessory unit(s) must be substantially smaller than the primary dwelling.

Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.

Escrow Holdbacks

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

INELIGIBLE PROPERTY TYPES

- Unique properties
- Mixed Use properties
- Builder Model Leaseback
- Fractional Ownership/Timeshares
- Live/Work condos
- Multiple dwellings on a single lot (legal ADU permitted)
- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties that include farms, ranches, orchards
- Log Cabins/Homes
- Manufactured, Mobile
- Condo-hotels or co-op/timeshare hotels
- Cooperative share loans
- Boarding houses, group homes or bed/breakfast properties
- Properties with zoning violations
- Dome, geodesic homes, earth berm homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 20 acres
- No truncating allowed
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana.

PROPERTY FLIPPING

When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%) percent, the transaction is considered a “flip”. To determine the three hundred and sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.

Flip transactions are subject to the following requirements:

- All transactions must be arm's length, with no identity of interest between the buyer and property seller of other parties participating in the sales transaction.
- No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
- The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing.
- No assignment of the contract to another buyer
- If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement is required from the borrower
- Second appraisal required from an Approved AMC under the following circumstances:
    - Greater than ten (10%) percent increase in sales price if seller acquired the property in the past ninety (90) days
    - Greater than twenty (20%) percent increase in sales price if seller acquired the property in the past one hundred eighty (180) days
    - Borrower may not pay for the 2nd appraisal for all HPML transactions
- Second appraisal must be dated prior to the loan consummation/note date;
- Property seller on the purchase contract must be the owner of record;
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, 12 months of receipts, invoices, lien waivers, etc.)
- HPML Transaction additional requirements:
    - Appraiser must specifically state that the appraisal conforms with both the requirements under USPAP and FIRREA.
    - Each valuation must be received by the borrower three (3) Business Days prior to Consummation with no Waiver permitted.

TITLE VESTING & OWNERSHIP

Ownership must be fee simple or Leasehold.

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in common
- Inter Vivos Revocable Trust

Land trusts, Blind Trusts and IRAs are not eligible forms of vesting.

Vesting in an LLC:

Limited Liability Companies ("Entity") are allowed in accordance with the requirements listed below:

To vest a loan in an Entity, the following requirements must be met:

- Any business structure is limited to a maximum of 4 owners or members.

- The LLC must be domiciled within the United States.
- Personal Guarantees are required from the authorized signor(s) who are borrowers on the loan along with any individual with 50% or greater ownership in the entity.
- Each authorized signor and/or member with 50% or greater ownership must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. The application associated with each authorized signor and/or member with 50% or greater ownership and such person's credit score and creditworthiness will also be used to determine qualification and pricing.
- If the articles of organization or operating agreement do not state an authorized signor, then all entity owners must apply as a borrower and complete a loan application as an individual applicant.
- Each Member of the Entity must receive notice of the loan and its terms prior to closing.
- If the LLC is not domiciled/formed within the state that the subject property is located in, a certificate of authority to do business by the entity in the subject state must be provided if required.
- No more than two layered entities is permitted.
- The following Entity documentation must be provided:
    - Entity Articles of Organization, or Partnership, and Operating Agreement(s)
        - This must include a list of all owners along with titles and designated authorized signors
    - Tax Identification Number (TIN) or Employee Identification Number (EIN) in the name of the LLC obtained directly from the IRS or an accredited 3rd party (i.e. Secretary of State or a licensed CPA)
    - Certificate of Good Standing issued by the Secretary of State where the LLC was formed
    - Certificate of Authorization for the person executing all documents on behalf of the Entity

Documents required

Documents must be completed and signed as follows:

- Loan Application (URLA)
    - Completed for each Individual(s) meeting the requirements above
    - Section labelled "Title will be held in what Name(s)" should be completed with ***only*** the LLC name.
    - Signed by Individuals meeting the requirements above
- Disclosures (Loan Estimate (LE), Notice of Intent to Proceed, Servicing Disclosure, etc.)
    - Completed and signed by Individual(s) meeting the requirements above
- Closing Disclosure (CD)
    - Completed and signed by Individual(s) meeting the requirements above
    - Other Closing Documents (Final CD, Borrower Certification of Business Purpose, etc.)
    - Completed and signed by Authorized Member(s) meeting the requirements above
- Personal Guarantee
    - Completed and signed by Individual(s) meeting the requirements above
- Borrowing Certificate (Exhibit F for Single Member or Exhibit G for Multiple Members)
    - Completed and signed by Individual(s) meeting the requirements above
- Note, Deed of Trust/Mortgage, and all Riders
    - "Borrower" in form, if applicable, to be completed by the authorized member of the entity that can legally sign and bind entity

Examples of Signature Requirements

[Authorized Signatory] may be replaced by another label as specified in the Member Consent (e.g., Managing Member, Member, etc.).

Sample 1:

Borrower: JJ Investors, LLC, and James Johnson Single Member of LLC: James Johnson

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

Sample 2:

Borrower: JJ Investors, LLC, James Johnson, and Jane Nelson 2 Members of LLC: James Johnson and Jane Nelson

Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [ ] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

POWER OF ATTORNEY

Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, and initial loan application is signed by the borrower executing the POA.

Not permitted on cash-out transactions.

LEASEHOLD PROPERTIES

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Documentation must be provided to confirm Leaseholds meet all FNMA eligibility requirements (i.e., term of lease to exceed maturity date of the loan transaction, product types).

LIMITATIONS ON FINANCED PROPERTIES

- Max 20 financed properties
- Change Wholesale's exposure to a single borrower shall not exceed $7,500,000 in current UPB or ten (10) properties

DISASTER AREAS

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site at http://www.fema.gov/news/disasters.fema. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90-days from the disaster period end date or the date of the event, whichever is later.

Appraisals Completed Prior to Disaster Event

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- Inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

Appraisals Completed After Disaster Event

- Appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

Disaster Incident Occurs after Closing, Prior to Loan Purchase

- A Post Disaster Inspection (PDI) Report from Clear Capital is required.
- Any indication of damage reflected on the report will require a re-inspection by the appraiser.
- Any damage that impacts the safety or habitability of the property or damage in excess of $2,000 without proof of repair is not permitted.

CONDOMINIUMS

Fannie Mae eligible projects are allowed.

Ineligible Projects

- A project subject to the rules and regulations of the U.S. Securities Exchange Commission.
- Condominium Hotel –Condotel
  - Condominium Project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
  - Condominium project where the unit is not the lessee's residence.
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - Projects with the names that include the words "hotel," "motel," "resort," or "lodge."
  - A project that includes registration services and offer rentals of units on a daily, weekly, or monthly basis.
  - Hotel or motel conversions (or conversions of other similar transient properties.)
- Resort type project
- Timeshare or Projects that restrict the owner's ability to occupy the unit.
- New Condo conversion completed less than 2 years.
- Houseboat project
- Manufactured home projects
- Assisted living facilities or any project where unit owners contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs.
- Any project in which a single entity owns more than 25% of the total number of units. Projects that have 5-19 Units, one owner can own two units.
- Multi-family units where single deed has ownership of more than one or all of the units.
- Where more than 50% of total square footage in the project or in the building that the project is located in is used for non-residential purposes.
- A Common-interest apartment or a project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
  - Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e., Timeshare
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA
- Non-conforming zoning (cannot be rebuilt to current density).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project in litigation, arbitration, mediation or other dispute regarding safety, soundness, or habitability.
- Project with adverse environmental issue(s) involving safety, soundness, or habitability.
- Projects that are not well managed or in poor physical or financial condition.
  - Excessive special assessments; Low Reserves; Neglected Repairs

General Project Criteria

- Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations
- Project meets all FNMA Insurance requirements for property, liability, and fidelity coverage
- Conformation the Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee.

Non-Warrantable Condominium Projects

Stacking of risk is not allowed. Only one non-warrantable factor per project allowed.
Change Wholesale will not finance more than 20% of the units in any one project.
Investor concentration in any project is allowed up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.

- A full review of the project is required. The following documents must be provided:
  - A completed Change Lending HOA Questionnaire (Exhibit C) is required.
  - Master property insurance, liability insurance and flood insurance if applicable
  - HOA Budget
  - Current balance sheet
  - CC&Rs and Bylaw's (new construction and conversion only)
  - Litigation documents, if applicable. (i.e., court documentation)
  - Ground lease, if applicable.

Additional overlays:

- Min FICO: 680
- Max LTV: Refer to applicable program matrices for LTV availability

Characteristic	Exception Considerations
Commercial Space	Subject property unit must be 100% residential. Project/building commercial percentage must be ≤ 50%. When commercial space exists, it must be "typical for market & have no negative impact on marketability." Commercial percentage is determined by the appraiser. No further assessment required. Commercial space in the building/project exceeding 50% will be reviewed on a single loan exception basis. Commercial entity cannot control the HOA.
New Projects	The project, or the subject's legal phase along with the other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% of the units must be sold or under a bona-fide contract. Unsold units owned by a builder/developer are not considered as investor owned and can be included in the presale requirement.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	Annual budget specifies a minimum of 5% allocation of replacement reserves.
Investor Concentration	Investor concentration in project up to 60%. Higher percentages may be considered on investment property transactions when an established history of a high percentage of rental units in the condo project can be demonstrated. Unsold units owned by a builder/developer are not considered as investor owned.
Litigation	Pending litigation will be considered on a case by case basis. Pending litigation is not allowed under any circumstance when the litigation involves structural items or items that impact marketability or safety of the project.
Single Entity Ownership	Single entity ownership up to 25%.

BUSINESS PURPOSE & OCCUPANCY AFFIDAVIT

Loan Number: _____

Borrower(s): _____

Property Address: _____

I, the undersigned borrower(s), hereby declare that the following is true and correct:

1. **I have applied for this Loan and am seeking financing for the Property for business purposes only.** I do not intend to use the proceeds of the Loan for personal, family, or household purposes.
2. **The proceeds of the loan will be used to purchase, improve, or maintain the Property, and I intend to operate the Property as one or more rental units for profit.** If I have not executed a lease with a tenant (or tenants) at or before closing of the Loan, I intend to, and will, use commercially reasonable methods and effort to obtain a tenant (or tenants) for the Property following closing of the Loan.
3. **Neither I nor any family member intend or expect to occupy the Property at any time. I will not, under any circumstances, occupy the Property at any time while the Loan remains outstanding.** In addition, I will not claim the Property as my primary or secondary residence for any purposes for the duration of my Loan. I now reside, and for the duration of my Loan will continue to reside, elsewhere.
4. **I understand that Lender originating the Loan in reliance upon this Affidavit.** If this Affidavit is not true and correct, and in consideration of Lender making the Loan, I agree to indemnify Lender and its agents, affiliates, subsidiaries, parent companies, successors and assigns and hold them harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which they may incur as a result of or in connection with my misrepresentation. I further understand that any misrepresentation in this Affidavit will constitute an Event of Default under my Loan Documents and may result in the immediate acceleration of my debt and the institution of foreclosure proceedings, eviction, and any other remedies allowable by law.
5. **I understand that the agreements and covenants contained herein shall survive the closing of the Loan.**
6. **I understand that, based on the contents of this Affidavit, the Loan is a business-purpose loan secured by non-owner-occupied real property.** I understand that this means that the Loan may not be subject to the requirements of certain federal and state consumer protection, mortgage lending, or other laws, including but not limited to the provisions of the federal Truth-in-Lending Act (15 U.S.C. §§ 190
7. 1 *et seq*.) and its implementing Regulation Z (12 C.F.R. Part 1026), and that my ability to avail myself of protections offered under federal and state laws for consumer-purpose residential mortgage loans may be limited.

I understand that any false statements, misrepresentations, or material omissions I make in this Affidavit may result in civil and criminal penalties.

Initial(s):

_____ **The Property is not and will not be occupied by me or any member of the LLC or any family member.**

Borrower(s) / Borrowing Entity Members:

NOTARY PUBLIC

_____ Date: _____

_____ Date: _____

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Legal Name: _____ Date: _____
Project Physical Address: _____ HOA Tax ID: _____
Unit Address: _____ Loan Number: _____
HOA Name: _____ Lender Name: _____
HOA Management Address: _____ HOA Management Co. Tax ID: _____

PART I: BASIC PROJECT INFORMATION

1. Please provide actual numbers and not percentages in the chart below.

Legal Phase #, Previous and Future Phases	# of Units per Phase	# of Buildings	# of Units Complete	# of Units for Sale	# of Units Sold or Under Contract	# of Owner Occupied and Second Homes*	# of Investor Units

***** If unable to provide number of second homes, provide number of off-site addresses.

2. Please provide a breakdown of the total number of units in the Project below.

# of Owner Occupied Units		# of Investor Units		# of Units Rented by Developer	
# of Second Home Units		# of Units owned by the HOA		# of Units in Entire Project	

3. Complete the following table if more than one unit is owned by the same individual or entity.

Individual / Entity Name	Developer or Sponsor (Yes or No)	# of Units Owned	Percentage Owned of Total Project Units	# Leased at Market Rent	Number Leased under Rent Control
			%		
			%		
			%		
			%		
			%		

4. Does the project have any of the characteristics listed below? ☐ Yes ☐ No **If Yes**, please check all that apply:

☐ Hotel/Motel/Resort Activities ☐ Any restriction on the Unit owner's ability to occupy the unit
☐ Mandatory Rental Pool ☐ Mandatory fee-based memberships for use of project amenities/services

☐ Deed/Resale restrictions ☐ Non-incidental income from business operations
☐ Manufactured Housing ☐ Supportive or continuing care for seniors or residents with disabilities
Provide additional detail here, if applicable (optional):

_____

_____

PART II: PROJECT COMPLETION INFORMATION

5. Are all units and common elements 100% complete and not subject to any additional phasing and/or additions? ☐ Yes ☐ No
   ***If yes**, when was the Project completed?* _____
6. **If no,** complete lines a-f:
   a. Is the project subject to additional phasing or annexation? ☐ Yes ☐ No
   b. Is the project legally phased? ☐ Yes ☐ No
   c. How many phases have been completed? _____
   d. How many total phases are legally planned for the project? _____
   e. How many total units are planned for the project? _____
   f. Are all planned amenities and common facilities fully complete? ☐ Yes ☐ No
7. Has the developer turned over Project control to unit owners? ☐ Yes ☐ No
   ***If yes**, when was it turned over?* _____
   ***If no,** what is the anticipated date the Project will be turned over to the unit owners?* _____
8. Is the Project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or other professional business, industrial or for other non-residential use? ☐ Yes ☐ No
   ***If yes** – complete lines a-h:*
   a. What year was the property built? _____
   b. What date was the conversion completed? _____
   c. Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components? ☐ Yes ☐ No
   d. What was the original use of the building? _____
   e. Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project's major components are sufficient? ☐ Yes ☐ No
   f. Are all repairs affecting safety, soundness, and structural integrity complete? ☐ Yes ☐ No
   g. Are replacement reserves allotted for all capital improvements? ☐ Yes ☐ No
   h. Are the project's reserves sufficient to fund the improvements? ☐ Yes ☐ No

PART III: FINANCIAL INFORMATION

9. How many units are over 60 days delinquent on HOA dues or assessments? _____
10. In the event a unit is taken over in foreclosure or a deed-in-lieu of foreclosure, is the mortgagee responsible for paying delinquent common expense assessments? ☐ Yes ☐ No
    If yes, for how long is the mortgagee responsible for paying these expenses? (select one): ☐ 1 to 6 months ☐ 7 to 12 months ☐ 12+ months
11. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or Foreclosure? ☐ Yes ☐ No

***If yes**, please describe the details and provide documentation directly from the Court(s) relating to the litigation:* _____

_____

PART IV: OWNERSHIP & OTHER INFORMATION

12. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas? ☐ Yes ☐ No

    If No, explain who has ownership interest in and rights to use the project amenities and common areas:

    _____

    _____

    _____

13. Are any of the units or any part of the building used for non-residential or commercial space? **If Yes,** complete the following table: ☐ Yes ☐ No

Type of Commercial or Non-Residential Use	Name of Owner or Tenant	# of Units	Square Footage	% Square Footage of Total Project Square Footage
				%
				%
				%

14. What is the total square footage of commercial space in the building that is separate from the residential HOA? Include above and below grade space used for commercial purposes, such as public parking facilities, retail space, apartments, commercial offices and so on:

    Total square footage of commercial space: _____

PART V: INSURANCE INFORMATION & FINANCIAL CONTROLS

15. Are units or common elements located in a flood zone? ☐ Yes ☐ No

    If Yes, flood coverage is in force equaling (select one):

    ☐ 100% replacement cost

    ☐ Maximum coverage per condominium available under the National Flood Insurance Program

    ☐ Some other amount (enter amount here): $_____

16. Check all of the following that apply regarding HOA financial accounts:

    ☐ HOA maintains separate accounts for operating and reserve funds.

    ☐ Appropriate access controls are in place for each account.

    ☐ The bank sends copies of monthly bank statements directly to the HOA.

    ☐ Two members of the HOA Board of Directors are required to sign any check written on the reserve account.

    ☐ The Management Company maintains separate records and bank accounts for each HOA that uses its services.

    ☐ The Management Company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.

17. Supply the information requested below. Do NOT enter "contact agent."

Type of Insurance	Carrier/Agent Name	Phone Number	Policy Number
Hazard			
Liability			
Fidelity			
Flood			

PART VI: BUILDING SAFETY, SOUNDNESS, STRUCTURAL INTEGRITY, AND HABITABILITY

18. When was the last building inspection by a licensed architect, licensed engineer, or any other building inspector? _____

19. Did the last inspection have any findings related to the safety, soundness, structural Integrity, or habitability of the project's building(s)? ☐ Yes ☐ No

    19a. **If Yes**, have recommended repairs/replacements been completed? ☐ Yes ☐ No

    If the repairs/replacements have not been completed:

    19b. What repairs/replacements remain to be completed?

    _____

    _____

    19c. When will the repairs/replacements be completed? _____

    Provide a copy of the inspection and HOA board meeting minutes to document findings and action plan.

20. Is the HOA aware of any deficiencies related to the safety, soundness, structural integrity, or habitability of the projects building(s)? ☐ Yes ☐ No

    20a. **If Yes**, what are the deficiencies?

    _____

    _____

    20b. Of these deficiencies, what repairs/replacements remain to be complete?

    _____

    _____

    20c. Of these deficiencies, when will the repairs/replacements be completed? _____

21. Are there any outstanding violations of jurisdictional requirements (zoning ordinances, codes, etc.) related to the safety, soundness, structural integrity, or habitability of the project's building(s)? ☐ Yes ☐ No

    ***If Yes**, provide notice from the applicable jurisdictional entity.*

22. Is it anticipated the project will, in the future, have such violation(s)? ☐ Yes ☐ No

    ***If Yes**, provide details of the applicable jurisdiction's requirement and the projects plan to remediate the violation.*

    _____

    _____

23. Does the project have a funding plan for its deferred maintenance components/items to be repaired or replaced? ☐ Yes ☐ No

24. Does the project have a schedule for the deferred maintenance components/items to be repaired or replaced? ☐ Yes ☐ No

***If Yes**, provide the schedule.*

25. Has the HOA had a reserve study completed on the project within the past three (3) years? ☐ Yes ☐ No
26. What is the total of the current reserve accounts balance? _____
27. Are there any current special assessments unit owners are obligated to pay? **If Yes:** ☐ Yes ☐ No
    26a. What is the total amount of the special assessment(s): $_____
    26b. What are the terms of the special assessments(s)?
    _____
    _____
    26c. What is the purpose of the special assessment(s)?
    _____
    _____
28. Are there planned special assessments unit owners are obligated to pay? **If Yes:** ☐ Yes ☐ No
    26a. What will be the total amount of the special assessment(s): $_____
    26b. What will be the terms of the special assessments(s)?
    _____
    _____
    26c. What will be the purpose of the special assessment(s)?
    _____
    _____
29. Has the HOA obtained any loans to finance improvements or deferred maintenance? ☐ Yes ☐ No
    28a. Amount borrowed? $_____
    28b. Terms of repayment? _____

PART VI: PREPARER INFORMATION

Preparer Name: _____ Phone: _____
Title: _____ Email: _____
Preparer's Company Name: _____
Preparer's Company Address: _____

When completed by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer.

The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____ Date: _____

PART VII: REQUIRED DOCUMENTATION

New Projects:

- ☐ Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- ☐ FNMA Warranty of Project Presale signed by developer/builder as authorized representative (Form 1029).
- ☐ FNMA Warranty of Condominium Project Legal Documents (Form 1054) or comparable lender's warranty.

- ☐ FNMA Final Certification of Substantial Project Completion completed by developer. (Form 1081).
- ☐ Current Annual Budget.
- ☐ Current Balance Sheet (dated within the last 60 days).
- ☐ Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- ☐ Project legal documents: Declarations, By-Laws, and any Amendments.
- ☐ Schedule of outstanding loan information.
- ☐ Letter from construction lender stating financing is in good standing.
- ☐ Evidence there are no contractor liens outstanding.
- ☐ Project Marketing Analysis: sales and marketing plan.
- ☐ Photos of subject property and two comparable projects including site, improvements, facilities/amenities, and parking.
- ☐ PERS Preliminary Approval, if applicable.

Established Projects:

- ☐ Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- ☐ Established Project Certification.
- ☐ Current Annual Budget.
- ☐ Current Balance Sheet (dated with the last 60 days).
- ☐ Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.

Re-Certification of Projects:

- ☐ Fannie Mae Application for Project Approval (Form 1026) Project Certification, Change Home Mortgage Condominium questionnaire, or similar.
- ☐ Project Approval Certification Form.
- ☐ Current Annual Budget.
- ☐ Current Balance Sheet (dated with the last 60 days).
- ☐ Evidence of current HOA/Project Insurance in compliance with FNMA guidelines.
- ☐ Any amendments, supplements, etc. to Project legal documents.

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name: _____

Project Address: _____

City: _____ ***State:*** _____ ***Zip Code:*** _____

Phase: _____

Borrower Name: _____

Subject Address: _____

City: _____ ***State:*** _____ ***Zip Code:*** _____

Seller Name: _____

Loan Number: _____

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae. The Seller representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review, including review of all required documentation for the project type.

Project Type: Established New 2–4 Unit

Project Documents reviewed include:

_____ Condo Questionnaire

_____ Current annual HOA/Project Budget

_____ Current Balance Sheet

_____ Evidence of Project Insurance

_____ Project legal documents as required by Project type

Seller certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Seller Representative certifies that all appropriate documentation has been examined and that the Representative and Seller warrant that the project meets all requirements set forth in the Fannie Mae guidelines for a Full Review. Signature of Seller Representative certifying:

_____

Name of Seller Representative

_____

Title of Seller Representative

_____

Date of Certification:

EXHIBIT D: BORROWER CONTACT CONSENT FORM

BORROWER CONTACT CONSENT FORM

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

_____ Same as the subject property.

_____ Please use this mailing address instead:

Address Line 1: _____ *Apt. #:* _____

Address Line 2: _____

City: _____ *State* *Zip Code:* _____

Country: _____

Cell Phone Number:

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

	Within the United States	*If you reside outside the United States*
Borrower:	( ) –	( ) –
Co-Borrower:	( ) –	( ) –
	(Area Code) Phone Number	(Country Code) Phone Number

Email Address:

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Signature(s):

Borrower: _____

Co-Borrower: _____

EXHIBIT E: CONSENT OF SPOUSE

CONSENT OF SPOUSE

I, _____, spouse of _____, acknowledge that I have read the _____, dated as of _____, by (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of _____ ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

_____
[Name of Spouse]

Spouse's Address [Address of Spouse]:

Street: _____ ***City:*** _____ ***State:*** _____ ***Zip Code*** _____

[INSERT NOTARY ACKNOWLEDGEMENT]

EXHIBIT F: LLC BORROWING CERTIFICATE – SINGLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being the sole member of [_____ , a limited liability company] ("**Borrower**"), does hereby certify that it is the sole and only member of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("**Lender**") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [, 20].

[INSERT SIGNATURE BLOCK FOR SOLE MEMBER]

EXHIBIT G: LLC BORROWING CERTIFICATE – MULTIPLE MEMBER

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [LENDER LEGAL NAME]

The undersigned, being all of the members of [_____, a ____ limited liability company] ("Borrower"), do hereby certify that they are, respectively, all of the managers and members of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [LENDER LEGAL NAME] ("Lender") and to assume any liabilities of any other person or entity to Lender, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Lender, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Lender shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with [LENDER LEGAL NAME] Lender; Borrower shall be bound to Lender by and Lender may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Lender believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments and other evidences of indebtedness authorized hereby, and to execute and deliver to Lender such deeds of trust, mortgages, pledge agreements and/or other security agreements as Lender shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Lender deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Lender, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Lender, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$_____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Lender and shall continue in full force and effect until Lender shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Lender prior to Lender's receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

[INSERT SIGNATURE BLOCKS FOR MEMBERS AND ALL MANAGERS]

PERSONAL GUARANTY AGREEMENT

In consideration of _____ having its principal place of business at _____ agreeing to lend the sum of _____ (loan amount) to_____ (the Guarantor), does hereby unconditionally guarantee to _____ its successor or assignee, as their interest may appear (the "Mortgagee"), jointly and severally with other guarantors, the payment of the loan when due (at maturity, by acceleration or otherwise), and any and all attorney's fees, costs, damages and expenses suffered or incurred by _____ rising out of the making of said mortgage, in the amount of and interest, plus attorney's fees, costs, damages and expenses, and any and all extensions and renewals thereof.

The liability of the undersigned shall exist and continue to exist whether or not the signature or name of the undersigned appears on any evidence of indebtedness from the borrower to the Mortgagee. The undersigned hereby waives notice of the acceptance of this guaranty and of any demand for payment hereunder, presentment, demand, protest, dishonor, or default or notice thereof with respect to the above transaction.

The undersigned agrees to be liable and pay for any deficiency if the note holder forecloses the mortgage securing the note pursuant to the terms of the mortgage and the proceeds received under a foreclosure proceeding, after deduction for expenses, are not sufficient to satisfy the indebtedness of the Borrower.

No extension of time or forbearance on the part of the Mortgagee with respect to the mortgage or modification of the terms and provisions of the mortgage shall operate to release any of the Guarantor's obligations hereunder nor shall any delay on the part of the Mortgagee in exercising any of its options, powers or rights under the mortgage or hereunder or a partial or single exercise thereof constitute a waiver of any other rights hereunder.

This guaranty shall be construed as an absolute, continuing and unlimited guaranty of payment without regard to the regularity, validity, or enforceability of any liability of and obligation of the Borrower hereby guaranteed; and the Mortgagee shall not be required to proceed first against the Borrower or any other person, firm or corporation or any collateral Security held by the Mortgagee to be deemed cumulative and the availing of one remedy or another not to be deemed an election of remedy.

Borrowing Entity _____

By Guarantor: _____

Print Name:_____

Date: _____

(State of): _____

(County of) ss: _____

On the _____ (date) before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the Individual(s) whose name(s) is(are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____

Notary Public Signature

NATIONWIDE PROPERTY & APPRAISAL SERVICES

STRpro© NATIONWIDE PROPERTY & APPRAISAL SERVICES

Short Term Rental Rate Analysis

[redacted]

Payson, AZ 85541



Owner/Borrower:	[redacted]	**Estimated Average Unit Daily Rate**	$150
Client:		**Projected Annual Unit Revenue**	$43,800
Appraiser:		**Projected Avg. Monthly Unit Revenue**	$3,650
Date of the Report:	02/07/2025	**Effective Date**	02/07/2025

Short Term Residential Property Market Rent Analysis is a product offering by Nationwide Property & Appraisal Services, LLC.

STRpro

Loan #: [redacted]
Order ID: **1216281**

Subject Information

Address: [redacted] **City:** Payson **State:** AZ **Zip Code:** 85541 **County:** Gila County
Borrower(s): [redacted] **Owner of Record:** [redacted] **Lender/Client:** Change Lending, LLC
Parcel Number: [redacted] **Property Type:** Single Family Residence **Zoning:** General Unclassified **Zoning Compliance:** Legal

Effective Date: 02/07/2025 **Date of Report:** 02/07/2025 **Report Type:** Restricted Type
Assignment Objective: To develop an opinion of Market Rent for short term rental properties

Subject Comments

The Beaver Valley subdivision was developed sometime in the late 1960's and early 1970's. There is a small park, field, fire station and water department within the immediate area. All other facilities are located in Payson, which is a 10-20 minute commute. The neighborhood was developed around East Verde River. The river and close proximity to National Forest Land are the attraction to this area. The neighborhood consists of mostly single family residential improvements with some multifamily units. There are both site built and manufactured homes but deed restrictions have since been implemented for site built only housing for any future building. The structures in the area range in quality, size, design, age and appeal. General appearance of the typical property and neighborhood maintenance levels are above average.

Property Characteristics:

It is a custom cabin with a finished lower level, which is typical for these mountainous developments. It has recently been updated throughout and is considered in good condition.

Zoning:

The subject is within a residential zoned area, which is typical for this area.

Sales Comparison

ITEM	SUBJECT			COMPARABLE 1				COMPARABLE 2				COMPARABLE 3			
Address: [redacted] Payson, AZ 85541				[redacted] Payson, AZ 85541				[redacted] PAYSON, AZ 85541				[redacted] PAYSON, AZ 85541			
Proximity to Subject				0.08 Miles				0.79 Miles				0.18 Miles			
# of Units				1				1				1			
Average Daily Unit Rate				$139				$219				$160			
Data Source				VRBO				VRBO				VRBO			
Occupancy Rate	80 %														
Estimated Monthly Rent*				$3,382				$5,329				$3,893			
	Description			Description			Adj.(+/-)	Description			Adj.(+/-)	Description			Adj.(+/-)
Location	N;Res			N;Res				B;WtrFr			-$50	N;Res			
View	B;Mtn			B;Mtn				B;Wtr			-$50	B;Mtn			
Design	DT2;Custom			DT2;Custom				DT2;Custom				DT2;Custom			
Appeal	Q4; Typical			Q4; Typical				Q4; Typical				Q4; Typical			
Age	36			32				20				2			
Condition	C2			C2				C2				C2			
Above Grade	Total	Beds	Baths	Total	Beds	Baths		Total	Beds	Baths	-$10	Total	Beds	Baths	-$25
	7	3	2.0	7	3	2.0		7	3	3.0		7	4	2.1	
Gross Living Area	2,657 Sq Ft			2,407 Sq Ft			$25	2,352 Sq Ft			$30	1,953 Sq Ft			$70
Basement	1307 sf			0 sf				0 sf				0 sf			
Net Adj. (Total)				☒ + ☐ -			$25	☐ + ☒ -			-$80	☒ + ☐ -			$45
Projected Average Monthly Revenue Before Expenses							$3,407				$5,249				$3,938

* Estimated comps monthly rent - "# of Units" x 365 days x "occupancy rate" x "average daily unit rate" / 12 months

Subject's estimated daily rental rate	Days	Occupancy Rate	Projected Annual Revenue	Projected Monthly Revenue
150	365	80%	$43,800	$3,650

Comparables and Reconciliation

Comparables Comments:

Rental Comp 1 : This property is very similar in livable area, age and location/views.

Rental Comp 2 : This property is similar in livable area, design, condition and location.

Rental Comp 3 : This property is similar in design, quality/condition and location.

Reconciliation

All comparable rental properties are within the same development and have similar qualities including bed/bath counts, views, design/style and updating. An average of approximately $150 daily rental rate is within the acceptable range for this rural area. *Appraiser fee is $300.

Photographs



Subject



Comparable #1

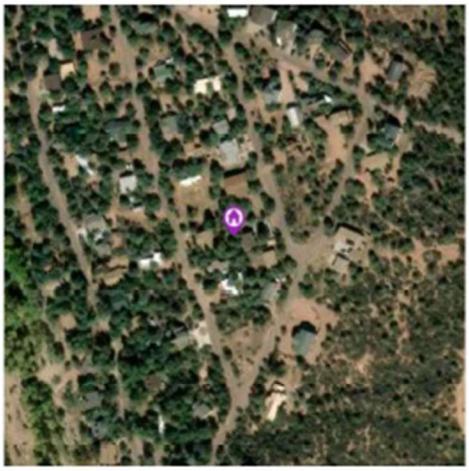


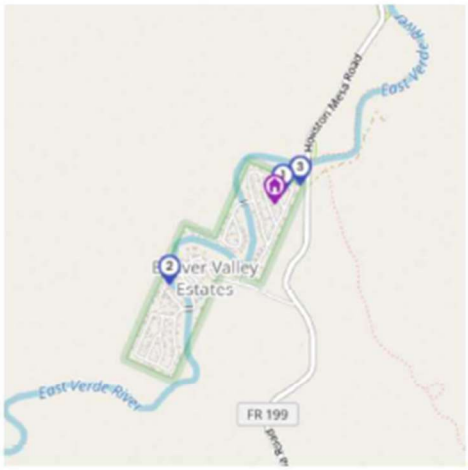
Comparable #2



Comparable #3

Subject/Comparable Sales Map





Disclosure

Assignment Conditions

Extraordinary Assumptions - None

Hypothetical Conditions - None

SCOPE OF WORK: As a Restricted Appraisal Report, the scope of work varies from that of a non-restricted Appraisal Report, in that the reporting format is abbreviated, however the appraiser is required to perform all of the necessary research and analysis necessary to develop a creditable and UniformStandards of Professional Appraisal Practice (USPAP) compliant appraisal of the subject property. In addition to the reporting format offered herein, the scope of work for this appraisal is defined by the complexity of this appraisal assignment including the following definition of market value, statement of assumptions and limiting conditions and certification. The appraiser at a minimum is required to research, verify and analyze meaningful and reliable market data collected from public and private sources to be used in the development of the appraisal, and to report his analysis, opinions, and conclusions in this appraisal report.

INTENDED USE. The intended use of the Market Rent Analysis is to be a screening tool for collateral evaluation involving a financial lending institution. This analysis is not intended to represent a Market Value of the Real Estate or a Market Value of the Going Concern as a short term rental property.

INTENDED USER: The intended user is Sample Client, its staff, management, and officers.

DEFINITION

Market Rent - The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby

Lessee and lessor are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their best interests;

Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and

The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements(TIs). (The Dictionary of Real Estate Appraisal. 7th ed., 2022. pp. 116-117)

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The intended use of the Market Rent Analysis is to be a screening tool for collateral evaluation involving a financial lending institution. This analysis is not intended to represent a Market Value of the Real Estate or a Market Value of theGoing Concern as a short term rental property.

1. The property description supplied to an used by the appraiser is assumed to be correct. Where property addresses and other incomplete descriptions were supplied and falling short of complete legal descriptions, the appraiser used property tax records, local property data services and other resources available to determine an adequate property description for purposes of performing the market rent analysis. The appraiser assumes no responsibility for damages resulting from inadequate property descriptions by the client.
2. No survey of the property has been made or reviewed by the appraiser, and no responsibility is assumed in connection with such matters. Illustrative material, including photos, maps, plots, plans, utilized in this report are inclusive only to assist the reader in visualizing the property. Property dimensions and sizes are considered to be approximate.
3. No responsibility is assumed for matters of a legal nature affecting title to the property, nor is any opinion of title rendered. Property titles are assumed to be good and merchantable unless otherwise stated.
4. Information furnished by others is believed to be true, correct, and reliable. However, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, leases, property tax obligations and servitudes have been disregarded unless so specified within the report. The property is assumed to be free of all encumbrances and under responsible, financially sound ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render the property more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies which may be required to discover them.
7. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. However, the appraiser is no qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value conclusions in this report are predicated on the assumption that there is no such materials on or in the property that would cause a loss of value. No responsibility is assumed for any such conditions, or for the expertise required to discover them. The client is urged to retain an expert in this field if desired. The analysis and value conclusions in this report are null and void should any hazardous material be discovered.
8. Unless otherwise stated in this report, no environmental impact studies were either requested or made in conjunction with this report. The appraiser reserves the right to alter, amend, revise, or rescind any opinions of value based upon any subsequent environmental impact studies, research, or investigation, all without penalty.
9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is specified, defined, and considered in this report.
10. It is assumed that all applicable building permit requirements, building codes, zoning regulations, and use restrictions have been complied with, unless non-conformity has been specified, defined, and considered in this report.
11. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or federal government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate is based.
12. The appraiser will not be required to give testimony or appear in court because of having made this report, unless arrangements have previously been made.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the client and other intended users without the written consent of the appraiser, and in any event, only with properly written qualification and only in its entirety.
14. This is a restricted appraisal report. In some cases the appraiser's opinion and conclusions set forth in the report may not be understood properly without additional information in the appraiser's work file. The liability of the appraiser is limited to the client only. There is no accountability, obligation, or liability to any third party. It is the responsibility of the client to restrict dissemination of this report only to those within its organization and to others as provided by state and federal law, and regulatory agencies on an as needed basis. If this report is placed in the hands of anyone other than the client, the client shall assume all responsibility for its use and shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions.
15. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media without written consent and approval of the appraiser. Nor shall the appraiser, client, firm, or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.
16. The appraiser was available to perform a complete interior inspection of the subject property. In the event such an inspection was not possible: and or if a limited inspection ws performed or no inspection was performed, this market rent analysis shall so state. In cases where the appraiser was limited in his ability to perform a thorough property inspection, assumptions were made using the best information available to him or her at the time, relative to improvement size, quality, condition, use; and physical attributes of the land and improvements. For purposes of the analysis these assumptions became matters of fact and were used as such. The appraiser shall not be held liable for conditions not apparent to him or her, and assumes no liability for damages occurring there from, when the inspection opportunities were limited.
17. Acceptance and/or use of this report constitutes acceptance of the foregoing assumptions and limiting conditions.

APPRAISER'S CERTIFICATIONS: I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP)
9. No one provided significant real property appraisal assistance as an appraiser to the appraiser signing this certification. If other parties provided a property data report involving either an interior or exterior viewing of the property or a floorplan, that party is identified in the addendum to this report containing such information

Appraiser Signature

Appraiser Name: Nathan Morris

Company Name: Assured Appraisals, LLC

Company Address: 501 E Mckamey St, Payson, AZ 85541

State License/Certification #: 22034

State:

Expiration Date: 10/31/2026

Signature Date: 02/07/2025

Signature:

[redacted]