

Table of Contents

1. NON-QM UNDERWRITING GUIDELINES	3
1.1 GENERAL INFORMATION	3
2.0 SUMMARY OF OVERLAYS	3
2.1 ABILITY TO REPAY (ATR).....	4
3.0 BORROWER ELIGIBILITY.....	4
3.3 NON-PERMANENT RESIDENT ALIENS	4
3.3.1 VERIFICATION OF NON-PERMANENT RESIDENCY STATUS	4
3.4 FOREIGN NATIONAL.....	5
3.4.1 GIFT FUNDS.....	5
6.0 TRANSACTION SPECIFIC.....	5
6.1.1 NON-ARMS' LENGTH TRANSACTION.....	5
6.3 CASH-OUT REFINANCE TRANSACTION	5
6.7 INTERESTED PARTY CONTRIBUTIONS	5
6.11 LEASE OPTION TO PURCHASE	5
7.0 CREDIT ELIGIBILITY	6
7.8 HOUSING HISTORY	6
7.8.1 Mortgage Verification	6
7.8.2 Rental Verification.....	6
7.8.2 BALLOON NOTE WITH MATURITY DEFAULT	6
7.9.4 FORBEARANCE, MODIFICATION OR DEFERRALS	6
8.0 INCOME AND EMPLOYMENT	7
8.6 ALTERNATIVE DOCUMENTATION INCOME.....	7
8.6.1 BANK STATEMENT PROGRAM	7
8.6.2 12- OR 24-MONTH PROFIT AND LOSS (P&L) ONLY STATEMENT	7
8.6.3 1099 ONLY INCOME	7
8.6.4 WRITTEN VERIFICATION OF EMPLOYMENT (WVOE) ONLY.....	8
8.6.6 ALTERNATIVE DOCUMENTATION – RENTAL INCOME	8
8.7 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY).....	8
8.7.7 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY	8
8.7.8 CROSS COLLATERAL.....	8
9.0 ASSETS.....	9
9.3 RESERVES.....	9

10.0 COLLATERAL.....	9
10.1 INELIGIBLE PROPERTY TYPES	9
11.0 CONDOMINIUMS.....	9
11.1 WARRANTABLE CONDOMINIUM	10
11.2 NON-WARRANTABLE CONDOMINIUM:	12
11.4 CONDOMINIUM HOTEL – AKA CONDOTEL	12
13.0 INSURANCE.....	13
13.1 PROPERTY INSURANCE COVERAGE.....	13
13.3.5 FLOOD INSURANCE	13

1. NON-QM UNDERWRITING GUIDELINES

1.1 GENERAL INFORMATION

The Lendz Financial Series 1 Eligibility Guidelines are to be used in conjunction with the most recent Lendz Financial Non-QM Eligibility Guidelines.

The Lendz Financial guidelines are intended to reference and supplement Fannie Mae's Seller Guide. Refer to the Fannie Mae Seller Guide for specific information concerning qualification requirements that are not specifically referenced in the guidelines. All loans must be manually underwritten

All Covered Loans must be designated as ATR compliant and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(c).

Deviations from the underwriting guidelines based on compensating factors need to be documented in the loan file.

2.0 SUMMARY OF OVERLAYS

1. Interest Only – DTI loans the qualifying payment is calculated using the remaining term after the expiration of the interest only period.
2. For non-permanent resident aliens, the usage of the State Department's Visa Waiver program is not sufficient.
3. Non-arm's length transactions require a 12-month housing payment history to verify not a bailout.
4. Regarding cash out refinances, less than 6 months seasoning is allowed but there must be documented improvements. Value will be based on the lesser of appraised value or purchase price/documentated improvements. Clarified if using two appraisals what is required.
5. Maximum of 6% Interested Party Contributions allowed for investment transactions.
6. Lease-option-to Purchase requirements
7. 6 months of payment history are required if a private VOM/VOR is utilized.
8. Ballon notes with maturity default regarding late payments.
9. Forbearance, modification and deferment within 12 months - Ineligible for Foreign National, DSCR Multi, DSCR Cross Collateral, Closed End Second
10. PTIN is not eligible for the Bank Statement Program
11. PTIN is not eligible for the P/L Only Program
12. Gold Series is not eligible for the P/L Statement Only Program.
13. 1099 Only Program - YTD earnings may not be averaged with validated 1099(s)
14. The Written Verification of Employment Only program is not eligible for the Gold Series.
15. Alt-Doc rental: A copy of the lease(s) for the rental property and two (2) months of receipt of the rent is required for leased properties.
16. Short-term Rental Income: AirDNA requires a 20% expense factor
17. Short-term Rental Income: form 1007/1025 is ineligible
18. DSCR 5-8 unit/2-8 Mixed Use: Housing History tolerance is 0x30x12
19. Cross-collateral loans, existing lease agreement(s), if applicable plus two (2) months receipt of the rent is required.
20. Cross-collateral loans – escrows are required.

21. Cross-collateral Assets – Gift funds are ineligible.
22. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.
23. Gift funds may be used to meet reserve requirements for DTI loans and DSCR 1-4 units only.
24. Defined appraisal requirements for bedroom count.
25. Defined Series 1 requirements for warrantable condominiums.
26. CA Condominium Projects: Added criteria pursuant to California SB-326
27. FL Condominium Projects: Updated to require inspection for projects consisting of 3 stories or greater.
28. Non-Warrantable condominiums – Fannie Mae or Series 1 questionnaire required.
29. Non-Warrantable condominiums – max 5% insurance deductible and no co-insurance allowed.
30. Condo-hotel: kitchenette, studio and co-insurance are not allowed. A full kitchen is required.
31. Condominium Hotels: CA Condominium Projects: Added criteria pursuant to California SB-326
32. Condominium Hotels: FL Condominium Projects: Updated to require inspection for projects consisting of 3 stories or greater
33. DSCR 5-8 / 2-8 Mixed use - Commercial General Liability insurance required per occurrence \$1.0MM, aggregate coverage \$2.0MM
34. Condominium Flood Insurance: follow Fannie requirement regarding 25% of commercial area

2.1 ABILITY TO REPAY (ATR)

- Interest Only – DTI loans: Qualifying payment is calculated using the remaining term after the expiration of the interest only period

3.0 BORROWER ELIGIBILITY

3.3 NON-PERMANENT RESIDENT ALIENS

3.3.1 VERIFICATION OF NON-PERMANENT RESIDENCY STATUS

All nonpermanent resident alien borrower(s) must verify they are legally present in the United States with a copy of one of the following:

- VISA
 - If expiration is within six months of the loan application and the borrower has not changed employers, a copy of the employer's letter of sponsorship for visa renewal must be provided.
 - If the Visa has expired, a valid USCIS Form I-797 confirming submitted application to renew.
- EAD Card
 - If expiration is within six months of the application the borrower must show evidence, they have applied for an extension or provide letter from the employer indicating they will continue to sponsor their employment
- Valid VISA or EAD is required. Usage of State Department's Visa Waiver Program to determine eligibility is not sufficient.

3.4 FOREIGN NATIONAL

- Cash out may not be used for reserves, borrower must have their own funds for reserves.
- The US account used for the ACH must have the verified reserves – the reserves may not be in a foreign account
- Borrower to sign affidavit indicating the borrower will maintain 6 months of reserves in the account attached to the ACH.

3.4.1 GIFT FUNDS

- Gift funds are not allowed for Foreign National

6.0 TRANSACTION SPECIFIC

6.1.1 NON-ARMS' LENGTH TRANSACTION

- Family sales require 12-month mortgage history from the seller verifying the transaction is not a bailout.

6.3 CASH-OUT REFINANCE TRANSACTION

Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.

- Less than 6 months' seasoning is allowed but there must be documented improvements. Value will be based on the lesser of appraised value or purchase price/documentated improvements.
- Using lesser of two appraisals to determine LTV is ineligible

6.7 INTERESTED PARTY CONTRIBUTIONS

Occupancy	LTV	Max Percentage
Primary, 2 nd Home	≤75%	9%
Primary, 2 nd Home	75.01-85.00	6%
Investment	All	6%

6.11 LEASE OPTION TO PURCHASE

- If the lease is executed within 12 months of the Note date, use the lower of the purchase price or appraised value for LTV.
- If the lease is executed 12 months or greater from the Note date, use the appraised value for LTV.

7.0 CREDIT ELIGIBILITY

7.8 HOUSING HISTORY

A 12-month housing payment (mortgage or rental) history is required for all Lendz Financial programs. A borrower's combined mortgage or rental history is used for program eligibility.

7.8.1 Mortgage Verification

MORTGAGE(S) NOT REPORTING ON CREDIT REPORT

The lender must document mortgage history not reporting on credit report with all the following:

- 6 months proof of borrower payment required when VOM is completed by a private party.

7.8.2 Rental Verification

A 12-month rental history is required for all Lendz Financial programs when the borrower is renting their current primary residence. The following documents are required:

- 6 months proof of borrower payment required when a VOR is completed by a private party.

7.8.2 BALLOON NOTE WITH MATURITY DEFAULT

For Notes with a balloon feature the payment history will be treated as follows: 1x30x12 housing history delinquency not sufficient when the expired maturity date exceeds 60 days. 61-day delinquency is 1x60 late, 91-day delinquency is 1x90 late, etc.

7.9.4 FORBEARANCE, MODIFICATION OR DEFERRALS

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12 Months from Note Date:

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed under all programs including Platinum.

Within 12 Months of Note Date:

- Ineligible for Foreign National, DSCR Multi, DSCR Cross Collateral, Closed End Second.

8.0 INCOME AND EMPLOYMENT

8.6 ALTERNATIVE DOCUMENTATION INCOME

8.6.1 BANK STATEMENT PROGRAM

Personal bank statements or business bank statements may be used to document self-employed income.

The business being used to source income must be evidenced by one of the following:

- CPA, EA, or CTEC Letter, or
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.
- PTIN is not eligible

8.6.2 12- OR 24-MONTH PROFIT AND LOSS (P&L) ONLY STATEMENT

See the Lendz Financial Matrices for maximum LTV and DTI. The 12–24-month Profit and Loss Statement only program is not eligible for the Gold Series.

Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years of self-employment history.

The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:

- CPA, EA, or CTEC letter, or
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.
- PTIN is not eligible for Series 1 P/L program

8.6.3 1099 ONLY INCOME

See the Lendz Financial Matrices for maximum LTV and DTI.

Qualifying income is the 12 or 24 monthly averages from the total number of 1099's minus the expense factor from the method chosen above. Income calculation to be determined using 1099 form(s).

YTD earnings must be documented to support ongoing receipt of income reflected on:

- Checks or a single check stub(s) with YTD totals or;
- 3 months Bank statements or;
- YTD earnings statements from 1099 Business

- YTD earnings from deposits must be at least 80% of qualifying income
 - Earnings impacted by seasonality may be considered with documented compensating factors
- YTD earnings may not be averaged with validated 1099(s)
- 1099 transcripts are required. Alternate evidence required if “No Return Found”.

8.6.4 WRITTEN VERIFICATION OF EMPLOYMENT (WVOE) ONLY

The Written Verification of Employment Only program is not eligible for the Gold Series

8.6.6 ALTERNATIVE DOCUMENTATION – RENTAL INCOME

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

- **Long Term Rental:**
 - A copy of the lease(s) for the rental property and two (2) months of receipt of the rent is required for leased properties.

8.7 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

8.7.3.1.2 SHORT TERM RENTAL (E.G. AIRBNB, VRBO, FLIPKEY) DOCUMENTATION AND DSCR CALCULATION

- Short Term Rental Income – Purchase and Refinance Transactions
 - DSCR calculation:
 - Monthly gross rents based upon a 12-month average to account for seasonality required.
 - AIRDNA: a 20% expense factor is required

Effective for appraisals completed as of Monday, March 3, 2025, and after FNMA Form 1007 or 1025 will no longer be acceptable documentation to calculate gross monthly rent for short-term rental property.

Short-term rents can be documents with one of the following options depending upon the transaction:

- Alternative Short-term Rent Analysis form developed by an AMC.
- 12-month look back on rents received using bank statements or 3rd party rental statements.
- Air DNA Property Earning Potential Report

8.7.7 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

Housing payment history tolerance is 0x30x12

8.7.8 CROSS COLLATERAL

8.7.8.1 ELIGIBILITY REQUIREMENTS

In addition to the requirements listed in section 8.7.8.1 main guidelines, all Cross-Collateral loans are required to be escrowed for taxes/insurance/flood (if applicable).

8.7.8.3 GROSS RENT DOCUMENTATION REQUIREMENTS

- Refinance
 - FNMA Form 1007, if applicable.
 - Existing lease agreement(s), if applicable plus two (2) months' receipt of the rent is required.

8.7.8.7 ASSETS

- For asset documentation requirements, follow DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.
- Gift funds are not eligible for Cross-Collateral loans

9.0 ASSETS

9.3 RESERVES

Gift funds may be used to meet reserve requirements for DTI loans and DSCR 1-4 units only.

10.0 COLLATERAL

10.1 INELIGIBLE PROPERTY TYPES

In addition to the ineligible property types in the main guidelines, the following restrictions apply:

- Maximum number of bedrooms allowed for a single family residence is 6

11.0 CONDOMINIUMS

The following LTV restrictions are for Florida Limited Review condominiums:

- Limited review
 - 70% LTV Purchase/Rate-term
 - 65% LTV Cash out refinance

For all condominiums, the following requirements must be met regarding special assessments:

- If there is a special assessment, the assessment may not be more than 10% of the condominium's value
 - Example, if the condo is \$280,000 the special assessment may not be more than \$28,000

For all established condominiums, the following requirements must be met regarding properties listed for sale:

- No more than 10% of the total condominiums in the community can be listed for sale

11.1 WARRANTABLE CONDOMINIUM

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

Follow Fannie Mae requirements to determine warrantability.

- All Loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
 - Site Condominium
 - A 2-4 Unit project provided the following are met:
 - Project is not ineligible. See section Ineligible Projects.
 - Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
 - Homeowner's association dues to be included in DTI/DSCR if applicable
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that
 - are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; or
 - has improvements in need of substantial repairs and rehabilitation including many major components; or
 - impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; or
 - has critical repairs with one of the following characteristics:
 - mold, water intrusions or potentially damaging leaks to the project's building(s); or
 - unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- California Condominiums:
 - For loans secured by a condominium unit in the state of California, an inspection is required per SB 326, for projects with wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground as evidenced on the condo questionnaire.
 - Projects with an unacceptable or no inspection are ineligible.
- Florida Condominiums:
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects 3 stories or greater. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.

- Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
- Projects with an unacceptable or no inspection are ineligible. Projects with an unacceptable or no inspection are ineligible
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- Lendz' project exposure maximum shall be \$5,000,000 or 20% of the total units in a project greater than 4 units, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single- family dwelling LTV/CLTV. Completion of the Homeowners Association (HOA) questionnaire is not required for site condominiums.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom.
- Commercial space allowed up to 50% of the project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense, and the HOA insurance policy is sufficient to cover the litigation expense.
- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Lendz underwriter must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- 5% deductible master insurance is acceptable.
- Co-insurance is not acceptable

ESTABLISHED PROJECTS

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

NEW OR NEWLY CONVERTED PROJECTS

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- The project developer may be in control of the condominium association provided the Master Agreement allows the homeowners to take control of either a predetermined percentage of unit sales or within a defined time frame.

11.2 NON-WARRANTABLE CONDOMINIUM:

- If the project does not meet the criteria for a warrantable condominium, it will be considered non-warrantable.
- Fannie Mae 1076 form or Series 1 form is required
 - The condo questionnaire form is required and is to include breakdown of units so investor concentration can be properly assessed.
- Transactions must meet the LTV restrictions in the appropriate Lendz Financial Matrix.
- 5% deductible master insurance is acceptable.
- Co-insurance is not acceptable

11.4 CONDOMINIUM HOTEL – AKA CONDOTEL

- Kitchenette is not acceptable
- Studio is not acceptable
- A full kitchen and separate bedroom are required
- Co-insurance is not eligible
- California Condominiums:
 - For loans secured by a condominium unit in the state of California, an inspection is required per SB 326, for projects with wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground as evidenced on the condo questionnaire.
 - Projects with an unacceptable or no inspection are ineligible.
- Florida Condominiums:
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects 3 stories or greater. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
 - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
 - Projects with an unacceptable or no inspection are ineligible.

13.0 INSURANCE

13.1 PROPERTY INSURANCE COVERAGE

DSCR 5-8/2-8 Mixed Use

Commercial General Liability insurance required per occurrence \$1.0MM, aggregate coverage \$2.0MM

13.3.5 FLOOD INSURANCE

If the commercial areas are less than 25%, coverage provided by the General Property Form (or equivalent coverage) is sufficient. Follow the Fannie Mae requirement