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# 1. NON-QM UNDERWRITING GUIDELINES

## 1.1 GENERAL INFORMATION

The Lendz Financial Series 2 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. EAD Code C08 is ineligible
2. Foreign National and ITIN borrowers are not eligible
3. Lease Option to Purchase transactions are not eligible
4. Minimum expense ratio for the Bank Statement Program is 20%
5. Rural properties >10 acres are not eligible for the DSCR Program
6. 5-8 Residential and 2-8 Multi-unit properties are not eligible
7. Cross-collateral loans are not eligible
8. Maximum acreage for any program is 10
9. Non-warrantable co-insurance requirements
10. Condominium Hotel requirements

## 3.0 BORROWER ELIGIBILITY

### 3.3 NON-PERMANENT RESIDENT ALIENS

#### 3.3.1 VERIFICATION OF NON-PERMANENT RESIDENCY STATUS

EAD Code C08 is ineligible.

### 3.4 FOREIGN NATIONAL

Foreign National borrowers with ITIN are not allowed

### 3.7 INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust

- Blind Trust
- Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services
- Persons from OFAC sanctioned countries and persons sanctioned by OFAC
- Not-for-profit entity
- ITIN borrowers
- Foreign National
- Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

## 6.0 TRANSACTION SPECIFIC

### 6.11 LEASE OPTION TO PURCHASE

Not eligible for Series 2

## 8.0 INCOME AND EMPLOYMENT

### 8.6.1 BANK STATEMENT PROGRAM

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

- CPA, EA, or CTEC Letter or PTIN or
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.

#### 8.6.1.2 BUSINESS BANK STATEMENTS OR CO-MINGLED STATEMENTS

##### 8.6.1.2.2 CALCULATION METHOD

##### Income Calculation Method:

Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 20%) multiplied by ownership percentage, divided by the number of bank statements.

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

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, PTIN – *refer to page 54 of the 8.26.24 guidelines or*

- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity.

### 8.6.3 1099 ONLY INCOME

One of the following Business expense analysis methods:

- 90% Net Margin (10% Expense Factor), or
- 3rd Party prepared P&L (CPA, EA, accountant, tax preparer, PTIN)– *refer to page 55*

## 8.7 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

### 8.7.6.1 INELIGIBLE PROPERTY TYPES

|  |  |
|--|--|
| Assisted Living                            | Properties with less than 400 square feet living space     |
| Barndominiums                              | Properties Under Construction                              |
| Boarding houses                            | Rural properties greater than 10 acres                     |
| C5 or C6 property condition grades         | Tenancy in Common properties                               |
| Commercial properties                      | Time-shares  |
| Geodesic domes                             | Unique Properties  |
| Log Homes                                  | Working Farms  |
| Manufactured housing or Manufactured Homes | Vacant lots  |
| Work escrows are not permitted             | No Mortgage Loans financing builder inventory is permitted |

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

#### 8.6.7.7.1 PROPERTY INCOME ANALYSIS

5-8 Residential and 2-8 Mixed-use properties are not eligible for Series 2

### 8.7.8 CROSS COLLATERAL

Cross-collateral loans are not eligible for Series 2

## 9.0 COLLATERAL

### 9.1 ELIGIBLE PROPERTY TYPES

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- Condominium
- Condo-tel
- Modular homes
- Properties of 10 acres or less
- Leaseholds (in areas where leaseholds are common)
- Rural properties

### 9.2 INELIGIBLE PROPERTY TYPES

- 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 (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Co-op/timeshare hotels
- Cooperative / Cooperative share loans
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership

- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- 5-8 multifamily
- 2-8 unit mixed-use
- Properties with only a kitchenette or studio
- Maximum number of bedrooms allowed for a single family residence is 6

## 9.3 ACREAGE LIMITS

A maximum of 10 acres - No truncation allowed.

## 10.0 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

### 10.1 NON-WARRANTABLE CONDOMINIUM

- Co-insurance is not eligible

### 10.2 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