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# 1. NON-QM UNDERWRITING GUIDELINES

## 1.1 GENERAL INFORMATION

The Lendz Financial Series 5 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. Credit documents may not be more than 90 days old compared to the note date.
2. Appraisal may not be more than 180 days old compared to the note date.
3. Deferred Action for Childhood Arrival (DACA) is ineligible.
4. First time homebuyer is ineligible for NOO/DSCR transactions
5. Foreign National borrowers with an ITIN are ineligible.
6. Foreign National borrowers are not eligible for any program.
7. Foreign National borrowers that reside in the United States are ineligible.
8. Layering of entities is not allowed.
9. A minimum of six (6) months seasoning is required for cash-out refinances.
10. Primary/2<sup>nd</sup> homes listed within the last 6 months are ineligible.
11. Interested Party Contributions for NOO is 3%
12. Waiving of minimum tradelines is not allowed even with 3 scores.
13. Multiple bankruptcies are not allowed.
14. Multiple foreclosures are not allowed.
15. Multiple short-sales or deeds-in-lieu are not allowed.
16. Forbearances, modifications, and deferrals within 12 months of the note are not allowed.
17. Open collection and charge-off accounts exceeding an aggregate total of \$2,500 must be paid.
18. Self-employed borrower must be for a minimum of two (2) years. Less than two is ineligible.
19. PTIN is not allowed for P/L or 1099 program.
20. The borrower may use 12 or 24 months of bank statements from multiple businesses; however, the businesses must be in the same line of work to be eligible.
21. First time investors are not eligible to utilize gift funds.
22. Minimum DSCR is 0.75
23. DSCR Long-term Monthly Gross Rents are determined by using the estimated market rent from 1007/1025
24. DSCR Short-term monthly rents are determined by the 1007 or trailing 12 month rents
25. Cross-collateral loans are not eligible for DSCR.
26. Gift funds may not be used to meet reserve requirements.

- 27. Condotels are ineligible.
- 28. Rural properties for investment purchases are ineligible.
- 29. Zoning that is non-residential is ineligible
- 30. Multi-unit (5+ units) are ineligible.
- 31. Mixed-use properties are ineligible.

### 2.3.3 AGE OF DOCUMENTS

#### 2.3.3.1 CREDIT REVIEW DOCUMENTS

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification/pay stubs
- Mortgage/rental verification
- Asset documents/bank statements
- Credit Report
- Title commitment/preliminary report/binder

Any credit review documents exceeding these timeframes must be updated.

#### 2.3.3.2 APPRAISAL AGE

**Residential Appraisals (1-4 units):** The appraisal must be dated within 180 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in section.

**Commercial Appraisals (5-8 multi-family, 2-8 mixed use):** Not eligible

## 3.0 BORROWER ELIGIBILITY

### 3.3 NON-PERMANENT RESIDENT ALIENS

- Deferred Action for Childhood Arrivals are not eligible.

### 3.6 FIRST TIME HOMEBUYER

A first-time homebuyer is not eligible for investment or DSCR transactions.

### 3.4 FOREIGN NATIONAL

- Foreign National borrowers are not eligible for any program.
- Borrowers possessing an ITIN are not eligible for any program.

## 4.0 TITLE VESTING AND OWNERSHIP

### 4.1.2 BUSINESS ENTITY FOR BUSINESS PURPOSE LOAN

- Layering of entities (i.e. LLC whose member(s) are an entity or trust) are not allowed

## 6.0 TRANSACTION SPECIFIC

### 6.3 CASH-OUT REFINANCE TRANSACTION

Refer to the Lendz Matrix for maximum cash out allowed for LTV >65%

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

A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.

### 6.4 PROPERTIES LISTED FOR SALE

For cash-out refinances only:

- **Primary/Second Home:**
  - Under six (6) months will not be considered.

### 6.7 INTEREST PARTY CONTRIBUTIONS

Occupancy	LTV	Max Percentage
Primary OR 2 <sup>nd</sup> Home	≤75%	9%
Primary OR 2 <sup>nd</sup> Home	75.01-85.00	6%
Investment	All	3%

## 7.0 CREDIT ELIGIBILITY

### 7.4 TRADELINES

Waiving of minimum tradelines is not allowed. The primary wage-earner must meet either of the minimum tradeline requirements listed below:

- At least three (3) tradelines reporting for a minimum of twelve (12) months with activity in the last 12 months; or,
- At least two (2) tradelines reporting for a minimum of twenty-four (24) months with activity in the last 12 months

### 7.9 CREDIT EVENTS

#### 7.9.1 BANKRUPTCY

Multiple bankruptcies are not allowed

#### 7.9.2 FORECLOSURE

Multiple foreclosures are not allowed

### 7.9.3 SHORT SALE / DEED-IN-LIEU

Multiple short sales/deeds-in-lieu are not allowed

### 7.9.4 FORBEARANCE, MODIFICATION OR DEFERRALS

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

**Within 12 Months of Note Date:**

- Not eligible

### 7.10.5 COLLECTIONS, JUDGMENTS, LIENS, CHARGE-OFFS

The following accounts may remain open:

- Collections and charge-offs less than an aggregate total of \$2,500

## 8.0 INCOME AND EMPLOYMENT

### 8.5.2 SELF-EMPLOYED – 1 OR 2 YEARS

Minimum history of Self-Employment:

- Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years self-employment history is not eligible for Series 5
- Self-employed borrowers must own at least 25% of the business

### 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:

- PTIN is not allowed for Series 5

### 8.6.3 1099 ONLY INCOME

- PTIN is not allowed for series 5

## 8.7 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

### 8.7.2 BORROWER EXPERIENCE

**FIRST-TIME INVESTOR**

First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently owns a primary residence.

- First-time investors are not eligible if utilizing gift funds for the transaction

### 8.7.3 1-4 FAMILY RESIDENTIAL PROPERTY

- Minimum DSCR is 0.75

#### 8.7.3.1.1 LONG TERM RENTAL DOCUMENTATION AND DSCR CALCULATION

- Refinance Transactions
  - Monthly Gross Rents are determined by using the estimated market rent from 1007/1025.

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

- DSCR must qualify on the 1007 market rents or trailing twelve-month rents.

### 8.7.6 DSCR RESTRICTIONS

- Cross collateralized loans are not eligible.

#### 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 for investment purpose
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
Non-residential zoning	

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

#### 8.6.7.7.1 PROPERTY INCOME ANALYSIS

- Not eligible for Series 5

### 8.7.8 CROSS COLLATERAL

Cross collateral loans are not eligible

## 9.0 ASSETS

### 9.3 RESERVES

Gift funds may not be used to meet reserve requirements.

## 10.0 COLLATERAL

### 10.1 APPRAISAL AGE

The appraisal should be dated no more than 180 days prior to the Note date.

### 10.2 ELIGIBLE PROPERTY TYPES

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- Condominium
- Condo hotels
- Modular homes
- Properties of 10 acres or less
- Leaseholds (in areas where leaseholds are common)
- Rural properties for primary residence only, not eligible for investment

### 10.3 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
- Condotels
- Rural properties for investment purposes
- Zoning that is non-residential
- Multi- units (5+ units)
- Mixed-use properties
- 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

## 11.4 CONDOMINIUM HOTEL – AKA CONDOTEL

- Not Eligible