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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, DACA, Asylum or TPS status are ineligible – exception basis only
2. Foreign National and ITIN borrowers are not eligible
3. Lendz Financial Exposure defined
4. Layering of entities is only allowed on an exception basis
5. Lease Option to Purchase transactions are not eligible
6. Minimum expense ratio for the Bank Statement Program is 20%
7. Rural properties >10 acres are only eligible on an exception basis
8. 5-8 Residential and 2-8 Multi-unit properties are not eligible
9. Cross-collateral loans are not eligible
10. Expanded the list of ineligible property types
11. Maximum acreage for any program is 10
12. Non-warrantable co-insurance requirements
13. Florida Condominiums rate/term or cash out refinance are only allowed on an exception basis
14. 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.

Non-permanent Resident Aliens with DACA, Asylum or TPS states are allowed on an exception basis only. The key requirements:

- Current EAD and VISA with an expiration date >12 months, duration of residency in the US, current income source, plan/status for permanent residency must be provided

### 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.

### 3.8 LENDZ FINANCIAL EXPOSURE – BORROWER LIMITATIONS

Maximum 5 mortgage or \$2.5m total unpaid balance. This is at the same time (i.e., active locks).

## 4.0 TITLE VESTING AND OWNERSHIP

### 4.1.2 BUSINESS ENTITY FOR BUSINESS PURPOSE LOAN

Layering of entities is only allowed on a case-by-case basis.

- The transaction should be a single-family residence, investment only.
- The nested LLC should just own the single asset.

## 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 or 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
Historical buildings	Row Houses

## 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

# 10.0 COLLATERAL

## 10.1 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 are only allowed on an exception basis

## 10.2 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
- A-Frame
- Dome Homes
- Historical buildings
- Two (2) or more Accessory Dwelling Units (ADUs)
- 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

- Properties located in Baltimore City, MD
- Agricultural Zoning – should not have agricultural use and should be a luxury ranch with clear valuation comparables.
- Pad Split, Lock-out or Co-living condominiums – Should be luxury condominium with second living area and not a single family converted with extra bedrooms
- Row houses for investment purpose.
- Properties with a closing price over 25% higher than the listing price within the last 12 months

### 10.3 ACREAGE LIMITS

A maximum of 10 acres - No truncation allowed.

## 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

The following LTV restrictions are for Florida condominiums:

- All refinance transactions (rate/term or cash out) are on an exception basis only.

### 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