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1.0 NON-QM UNDERWRITING GUIDELINES

1.1 GENERAL INFORMATION

The Lendz Financial Series 3 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 BORROWER ELIGIBILITY

2.1 NON-PERMANENT RESIDENT ALIENS

2.1.2 VERIFICATION OF NON-PERMANENT RESIDENCY STATUS

- EAD Card must have a valid VISA – *refer to Page 11*
 - 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
- Deferred Action for Childhood Arrivals (DACA/EAD Category C33) are not eligible

2.2 FOREIGN NATIONAL

A Foreign National or ITIN borrower is not eligible for Series 3

2.3 FIRST TIME HOMEBUYER

- Defined as not owning a property/rental in the United States for at least 1 year within last 7 years – Borrowers that have owned a property/rental in the last 7 years are not considered first time homebuyers
- If one borrower on the transaction is not a FTHB, no further restrictions apply
- Borrower's living rent free or with incomplete housing history, see 'Housing History' section

DSCR Restrictions:

- Max 70% LTV
- Min 720 FICO
- Min 1.0 DSCR
- Max 750k UPB
- Interest only and/or 40-year amortization – ineligible
- No exceptions allowed on the file
- Motivation letter required for purchasing investment and not owning a primary

- Must take title in the vesting of an entity
- Document housing history via 12 months proof of payment via cancelled checks, bank debits or institutional VOR/VOM. Carbon copies or handwritten rent receipts are not acceptable as bank records

2.4 INELIGIBLE BORROWERS

- Administrative (GSE) Excluded Party lists
- Any parties to a transaction listed on HUD's Limited Denial of Participation (LDP) list, or the federal General Services
- Asylum applicants
- Borrowers involved in active litigation or pending separation/divorce
- Borrowers with diplomatic immunity
- Borrowers without a valid Social Security Number
- DACA Recipients
- EAD Card without valid Visa
- Foreign Nationals
- Irrevocable, Land or Blind Trusts
- Vesting in retirement vehicles

2.5 LENDZ FINANCIAL EXPOSURE – BORROWER LIMITATIONS

Max exposure for Series 3 is lesser of 10 loans or 5mm; 3 or more loans in the same area are considered on a case-by-case basis.

3.0 TITLE VESTING AND OWNERSHIP

4.1 INTERVIVOS REVOCABLE TRUST

- Inter-Vivos Revocable Trust
 - If using trust assets to qualify and/or vesting in the trust - Full trust documents required, and borrower must be beneficiary of the trust

4.0 TRANSACTION SPECIFIC

4.1 CASH-OUT REFINANCE TRANSACTION

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

4.2 INTERESTED PARTY CONTRIBUTION

Occupancy	LTV	Max Percentage
Primary, 2 nd Home, Investment	≤80%	6%
Primary, 2 nd Home, Investment	>80%	3%

5.0 CREDIT ELIGIBILITY

6.1 CREDIT EVENTS

6.1.2 BANKRUPTCY

Chapter 7,11 and 13 bankruptcy seasoning will be measured from the discharge/dismissal date.

6.0 INCOME AND EMPLOYMENT

6.1 BANK STATEMENT PROGRAM

- PTIN is ineligible.

6.2 12- OR 24- MONTH PROFIT AND LOSS (P&L) ONLY STATEMENT

- PTIN is ineligible
- Expenses on the P&L must be reasonable for the industry, Lendz Financial reserves the right to require additional information. The P&L expense minimum floor allowed is 15%.

6.3 1099 ONLY INCOME

- PTIN is ineligible

6.4 ASSET UTILIZATION

When using asset depletion as primary or component source of income, borrowers must have a minimum of the lesser of:

- \$1mm in Qualified Assets OR
- 1.25 times the loan balance but never less than \$250,000 liquid assets

7.0 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

7.1 LONG TERM RENTAL DOCUMENTATION AND DSCR CALCULATION

Purchase Transactions

- When using the higher lease amount over the market rent to calculate DSCR, 3 months of documented receipt of rent is required

Refinance Transactions

- When using the higher lease amount over the market rent to calculate DSCR, 3 months of documented receipt of rent is required

7.2 SHORT TERM RENTAL (EG, AIRBNB, VRBO, FLIPKEY) DOCUMENTATION AND DSCR CALCULATION

Short term rentals are not allowed for Series 3

8.0 GIFT FUNDS

8.1 GIFT DOCUMENTATION REQUIREMENTS

Gift of Equity – DSCR Program

- Gift of equity from family members allowed up to 70% LTV/CLTV. Subject property mortgage rating from seller is required
- Must be current rental/tenant occupied with lease in place seasoned 3 months
- Minimum 1.0 DSCR

9.0 COLLATERAL

9.1 ACCESORY DWELLING UNITS (ADU)

- Appraiser to confirm ADU is typical to the area with supporting comparables.
- Rental income may be used with supporting appraisal comparable which contains permitted accessory units, Appraisal market rents survey, and lease with 1 month evidence receipt of income
 - Purchase – Borrower to provide attestation regarding their intentions to rent the ADU
- Unpermitted ADUs must be completed in a workman like manner and conform to the subject property. No rental income may be used to qualify
- Conforms to all zoning laws/regulations
- 2 ADUs allowed on SFRs
- Not permitted on four-unit properties
- Manufactured Home ADU's are not permitted

9.2 APPRAISAL REVIEW REQUIREMENTS

If the enhanced desk review product reflects a value +/- 10% of the appraised value, an additional secondary valuation product will be required.

9.3 ELIGIBLE PROPERTY TYPES

- Rural properties – DSCR rural properties will need prior approval by the Lendz Financial Credit Committee.

9.4 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

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 LENDZ FINANCIAL EXPOSURE FOR CONDOMINIUMS

Lendz Financial condo project exposure maximum may be \$5,000,000 or 20% of project whichever is lower.

10.2 CONDOMINIUM HOTEL – AKA CONDOTEL

- Not eligible for Series 3

11.0 TAXES TO BE USED FOR THE TRANSACTION

Property Taxes

- New construction: Calculated using 1.5% of the sales price, 1.25% in CA, or documented tax rate from municipality
- Purch and Refi: Use current tax amount except in CA which requires 1.25% of purchase price or documented tax rate from municipality