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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 BORROWER ELIGIBLITY

2.1 NON-PERMANENT RESIDENT ALIENS

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

2.2 FOREIGN NATIONAL

Foreign National/ITIN borrowers are not allowed

4.0 INCOME AND EMPLOYMENT

4.1 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

4.1.2 CALCULATION METHOD

4.2 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
- Business License, or
- Bank statement from 24 or more months prior to note date reflecting activity, or
- Other reasonable evidence of business activity

4.3 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)

5.0 DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

5.1 SHORT TERM RENTAL DSCR

Short-term rentals require a minimum DSCR of 1.00 for purchase transactions and 1.25 for refinance transactions.

6.0 COLLATERAL

6.1 ELIGIBLE PROPERTY TYPES

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- Condominium
- Condotel (must have a full kitchen and bedroom)
- Modular homes
- Leaseholds (in areas where leaseholds are common)
- Rural properties or properties over 10 acres are only allowed on an exception basis

7.2 INELIGIBLE PROPERTY TYPES

In addition to the ineligible properties listed in the main guidelines, the following properties are also not permitted under Series 2:

- 5-8 multifamily

- 2-8 unit mixed-use

7.4 APPRAISAL AGE

Appraisals are valid for 120 days. A recertification of value may extend the appraisal validity to a maximum of 180 days from the appraisal date. Appraisals may not be used beyond 180 days.

8.0 CONDOMINIUMS

8.1 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