



Loan Eligibility Guidelines
Home Equity
Closed-End Seconds

Effective [9/10/2025](#)

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Section 1.0 Introduction

1.1 Overview and Underwriting Philosophy

These Eligibility Guidelines (hereinafter referred to as "Guidelines") outline the requirements for residential mortgage loans closing at FlexPoint Inc. dba Broker First Funding (BFF). This document provides guidance and ensures consistency in the underwriting and review of loan characteristics related to both the borrower and the property.

BFF offers programs to brokers for borrowers who may have limited access to traditional credit. Therefore, while BFF evaluates multiple loan elements, the primary focus is on the borrower's ability to repay the loan.

In addition to Ability-to-Repay (ATR), BFF programs consider the following factors – all subject to thorough verification and examination:

- Income stability and employment history
- Credit history
- Asset position
- Property offered as collateral

Each loan is assessed individually, employing a common-sense and holistic approach to evaluate the borrower's repayment capacity and the overall benefit to the borrower.

1.2 Underwriting Criteria

These Guidelines supplement the Fannie Mae Seller Guide. Consult the Fannie Mae Seller Guide for any qualification requirements not addressed here. For specific loan characteristic and eligibility requirements (LTV, FICO, DTI, etc.), refer to the current FlexPoint Inc. dba Broker First Funding (BFF) Matrix ("Matrix"). Loans closed at BFF must comply with both the current published Guidelines and the Matrix in effect as of the loan application date.

1.2.1 Ability-To-Repay (ATR)

FlexPoint Inc. dba Broker First Funding recommends including [Exhibit B: Ability-To-Repay Borrower Attestation](#) (or similar document) in all loan files.

1.2.2 Underwriting Documentation

All loans require manual underwriting. The loan file must include the Underwriting Approval, Income Calculation Worksheet, and the underwriter's ATR determination. Underwriters may use an AUS recommendation for guidance on income documentation requirements, as an alternative to the Matrix documentation requirements.

Section 2.0 CES Program and Requirements

2.1 CES Program Overview

FlexPoint Inc., doing business as Broker First Funding (BFF), offers closed-end second (CES) mortgages for primary residences, second homes, and investment properties. These loans can be used as standalone seconds or in conjunction with new first liens (piggyback loans). For piggyback transactions, the income documentation used for qualifying must be consistent across both the first and second liens.

See Matrix for details and program specific.

- The CES is designed for primary, second home and investment borrowers. For both QM and Non-QM transactions, with flexibility in mortgage history, credit history, and/or payment and documentation options. This program offers expanded credit parameters for multiple borrower profiles while utilizing standard and alternative document types. On piggy-back transactions, the income documentation type for the CES must match the requirements of the 1st lien approval.
 - Full Doc 1 or 2 Yrs: Standard FNMA Documentation
 - Expanded Doc Bank Statements: 12, 24 Bank Statements
 - Expanded Doc 1099: 1yr 1099 Statement
 - Expanded Doc P&L Only: 12-month P&L Statement
 - Debt Service Coverage Ratio (DSCR)

2.2 Eligible CES Products

The following loan products are eligible at FlexPoint Inc. dba Broker First Funding. See Matrix for details.

- Fully Amortizing Fixed Rate
 - Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
 - 10, 15, 20, 30-year fixed rate
- Balloon Notes
 - 30/15, 40/15
 - See Matrix for limitations.

2.3 Ineligible Senior Liens – (09/10/25)

To determine eligibility, please provide a copy of your most recent first mortgage statement. The statement date must be within 60 days of the Note date. Additional first mortgage documentation may be required to complete the underwriting process.

- Loans in active forbearance or deferment. Deferred balance due to a documented hardship may remain open. Without documented hardship, deferred amounts must be paid through closing. **Senior lien must be out of forbearance at time of application in order to be eligible.**
- Loans with negative amortization.
- Reverse mortgages.
- Balloon loans that the balloon payment comes due during the amortization period of the 2nd loan.
- Mortgages not reporting on credit report (see [6.5 Housing History](#))
- Private Party.

2.4 Interest Only Senior Liens

Interest only senior liens are acceptable when qualified at a maximum DTI of 50%. Qualify I/O on fully amortized payment on the remaining term after the I/O period.

1st lien ARMS with < 3 years fixed period remaining qualified on fully indexed payment.

2.5 Maximum Combined Liens

The maximum combined 1st and 2nd liens is based on the loan amount. See matrix for limits.

2.6 Seasoning: Loan and Document

Age of documents from Note Date.

Credit Documents: 120 Days

Income Documents: 60 Days

Asset Documents: 60 Days

New AVM/Appraisal: 120 Days with Re-Certification of Value: 180 Days Title

Report: 120 Days

2.7 Seasoning: Property Listing

Properties that have been on the market within six months of the note date are ineligible.

2.8 Seasoning: Ownership

Properties owned less than six (6) months ineligible. Properties owned greater than six (6) months – no restrictions.

2.9 Borrower Contact Consent Form

To assist the loan servicer in contacting the borrower in a timely manner, FlexPoint Inc. dba Broker First Funding (BFF) is required to obtain a valid phone number for the borrower(s). The phone number can be collected on 1003 loan application or by using the Borrower Contact Consent Form [Exhibit C: Borrower Contact Consent Form](#).

2.10 State and Federal High Cost Loans

Not Allowed.

2.11 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation.

2.12 Interest Credit

Loans closed within the first ten (10) days of the month may reflect an interest credit to the borrower.

2.13 Assumability

Home Equity products are not assumable.

2.14 Escrows

Not Applicable.

2.15 Property Hazard Insurance

2.15.1 Coverage Requirements

Following Fannie Mae (FNMA) guidance, the property insurance policy must provide the claims to be settled on a replacement cost basis. The coverage amount must be at least equal to the lesser of:

- 100% of the replacement cost of the improvements as of the current property insurance effective date, or
- The unpaid principal balance of all liens, provided it equals no less than the replacement cost value of the improvements

Follow FNMA guidance for additional information.

2.16 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing.

Flood insurance must be maintained throughout the duration of the loan.

2.16.1 Flood Certificate

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). Flood Cert from CoreLogic or ServiceLink is preferred. The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

2.16.2 Minimum Flood Insurance Coverage

For reference, the minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements.
- the maximum insurance available from the National Flood Insurance Program (NFIP),

- which is currently \$250,000 per dwelling; or,
- the unpaid principal balance of the mortgage.

The minimum amount of flood insurance required for a PUD or condo project is the lower of:

- 100% of the insurable value of the facilities; or,
- the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

The flood policy for a PUD or condominium project must cover any common element buildings and any other common property located in a SFHA.

2.17 Prepayment Penalty – (09/10/2025)

Prepayment penalties are only eligible for DSCR Closed-End Second (CES) loan transactions on non-owner and investment properties (business purpose only).

- DSCR CES loans require a minimum of 1-year prepayment penalty where allowable by state.

For all other loan transactions (primary residence, second home, non-business purpose investment), prepayment penalties are prohibited.

Note: States may impose different definitions of points and fees, rate/APR, or prepayment penalties that apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a “high-cost mortgage” (or equivalent terms) under state law. Prepayment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

2.18 Title Reports – (09/10/2025)

The following are eligible title reports:

- ALTA
- Jr. ALTA
- ALTA Lite
- ALTA Short Form – Lender’s Policy

2.19 Subordinate Financing – (09/10/2025)

All existing subordinate liens must be satisfied at or prior to closing.

Section 3.0 CES Property Eligibility

3.1 Appraisals

Collateral evaluation requirements for the second mortgage program.

3.1.1 Appraisal Options

On purchase transactions, a copy of the appraisal with original pictures and any secondary valuation used on the 1st mortgage is acceptable.

Higher-Priced Mortgage Loan (HPML)

Primary and 2nd Homes:

- o Full Appraisal (1004, 1025, 1073)
- o Declining markets maximum 75% CLTV

HPML QM Safe Harbor or Rebuttable Presumption (Full Doc only)

Primary and 2nd Homes:

- Loan amounts \leq \$400,000 AVM with a 90% Confidence Factor and a Property Condition Inspection from:
 - o Clear Capital
 - o Collateral Analytics
 - o CoreLogic
 - o HouseCanary
 - o Homegenius
 - o Quantarium
 - o Veros
- Full appraisal is required when AVM has less than 90% Confidence Factor.
- Loan amounts > \$400,000
 - o Full Appraisal (1004, 1025, 1073)
- Declining markets maximum 75% CLTV

Non-HPML

Primary/2nd Home/Investment/Investment Property

- Loan amounts \leq \$400,000 AVM with a 90% Confidence Factor and a Property Condition Inspection from:
 - o Clear Capital
 - o Collateral Analytics
 - o CoreLogic
 - o HouseCanary
 - o Homegenius
 - o Quantarium
 - o Veros
- Full appraisal is required when AVM has less than 90% Confidence Factor.
- Loan amounts > \$400,000
 - o Full Appraisal (1004, 1025, 1073)
- Declining markets:
 - o Primary and 2nd Homes - Maximum 75% CLTV
 - o Investment – Maximum 70% CLTV

3.2 Minimum Property Standards

Minimum property standards include but may not be limited to:

- 600 square feet.
- Property constructed for year-round use
- Permanently affixed continuous heat source
- Maximum deferred maintenance cannot exceed \$2,000
- No health or safety issues either internal or external

3.2.1 Eligible Property Types

- SFR, PUD, Townhome, Rowhome, Modular
- 2-4 Units
- Condos – Warrantable

3.2.2 Ineligible Property Types

- Rural Properties
- Condotel
- Non-warrantable Condos
- Manufactured/Mobile Homes
- Log Homes
- Working Farms and Hobby Farms
- Unique Properties
- Agricultural or Commercial Zoned Properties
- Co-ops
- Room and Board Facilities
- Adult Assisted Living/Care Facilities
- Mixed-Use
- Land Trust
- Deed-restricted properties
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Income producing properties with acreage
- Multiple dwellings on single lot (1 legal ADU acceptable on SFR)

3.2.3 Acreage Limitations

- Maximum 10 acres

3.3 State Ineligibility – 9/10/2025

- Maryland
- Michigan
- Texas
- Washington

3.4 Title Vesting and Ownership

Ownership must be fee simple or leasehold

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Inter Vivos Revocable Trust
- Business Entity – Investor properties only. With current vesting in:
 - Limited Liability Company (LLC)
 - Limited and General Partnerships
 - Corporations

3.4.1 Inter Vivos Revocable Trust

Inter Vivos Revocable Trusts are allowed when the requirements outlined below are met.

- The trust must be established by one or more natural persons, solely or jointly.
- The primary beneficiary of the trust must be the individual(s) who is establishing the trust.
- Trust must be in the borrower's name.
- Trust must state that the borrower(s) have a right to revoke the Trust during their lifetimes.
- Income and assets of at least one borrower of the individuals establishing the Trust must be used to qualify for the mortgage.
- Trust must comply with all applicable state and local laws and regulations.
- Trustees must have the power to mortgage the property.
- Trust must become effective during the lifetime of the person establishing trust.

Provide copy of Trust Agreement or Trust Certificate (where allowed by law) reviewed and approved by Title company. Titles must not contain any title exceptions and offer full title protection without exception to the trust.

3.4.2 Business Entity – (9/10/2025)

Vesting solely in the name of a business entity (LLC, partnership or corporation) is acceptable on investor properties only on the Equity Solutions program. Underwriters must ensure loans that are secured by properties vested in a business are solely business purpose loans for the purchase or refinance of an investment property.

For partnerships and corporations, loans must be originated only in the individual borrower(s) names (eligible for vesting only). For LLC's, loan applications are allowed to remain in the name of the entity with a personal guaranty.

The following standards apply:

- All persons with $\geq 25\%$ interest in the business entity ("Interested Persons") must apply for the loan and meet credit requirements
- Maximum of four (4) individual members/partners/shareholders. No entities as members.
- Persons who sign the note or a personal guaranty must sign an Occupancy Affidavit prior to closing.
- Collateral documents must be signed as follows:

Note Signature	Required Security Instrument Signature	Personal Guaranty Required
Only Interested Persons	Both Business Entity and all Interested Persons	No
Only Business Entity	(a) Only Business Entity; or (b) Both Business Entity and all Interested Persons	Yes, for all Interested Persons
Interested Persons and Business Entity	(a) Only Business Entity; or (b) Both Business Entity and all Interested Persons	No

The following documentation must be provided:

- Formation and Operating documents
 - Articles of Incorporation and bylaws
 - Certificate of Formation and Operating Agreement, or
 - Partnership Agreement
- Tax Identification Number
- Certificate of Good Standing

3.5 Leasehold Properties

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Underwriters must provide documentation, and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

3.6 Solar Liens

Solar liens must be paid off prior to or at closing.

3.7 Limitations on Financed Properties

Primary and Second Homes

- The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.
- Commercial properties and residential > 5-units excluded from calculation.

Investor Properties

- There is no limit on the number of financed properties.

3.8 Disaster Areas

BFF is engaged in the identification of geographic areas impacted by disasters and is implementing procedures to ensure that subject properties have not been adversely affected.

Subject properties that have been adversely affected by disaster events that receive a formal disaster declaration issued by local, state or federal departments of emergency management must follow the procedures listed below. The following guidelines apply to properties located in FEMA declared disaster areas, as identified on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, hurricanes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest or terrorist attacks, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90 days from the disaster period end date or

the date of the event, whichever is later.

See BFF full Loan Eligibility Guidelines for additional specifics on Disaster Areas or FNMA Guidelines.

3.9 Declining Values

Properties in which the appraiser is reporting a declining trend in values for the subject's market area are limited to a maximum 75% CLTV on primary and 2nd homes, 70% CLTV on non-owner.

3.10 Condominiums

Fannie Mae eligible condominium projects are allowed.

The underwriter may review and approve FNMA warrantable projects. Follow the review process required by Fannie Mae for Limited Review.

Site Condos meeting the Fannie definition are eligible for single-family dwelling LTV/CLTV.

Section 4.0 Transaction Types

4.1 Eligible Transactions

- Purchase
- Cash-Out

4.1.1 Cash-out Seasoning

Properties owned for 6 months or greater, no restrictions. Properties owned less than 6 months ineligible.

4.1.2 Stand-Alone Cash-out

Equity Solutions stand-alone loans are available for cash-out on Primary, Second Home or investor property. A letter of explanation regarding the use of loan funds must be provided for cash-out refinance transactions.

4.1.3 Prior Cash-Out Refinance Seasoning

Any previous cash-out refinance transaction, either the 1st or a 2nd lien, within the prior six (6) months limits the maximum CLTV to 80%.

4.1.4 Piggy-Back Purchase

A Closed End Second can be combined with a new first mortgage for the purchase of a primary residence, second home, or investment property.

For purchase transactions, the borrower must meet the guideline requirements for both the Closed End Second and the new first mortgage to be eligible.

The following credit requirements will default to the AUS Recommendation and/or the 1st loan approval:

- Housing history limit of 0x30x12 can be waived if allowed by 1st loan approval.
- FTHB overlays can be waived if allowed by 1st loan approval.
- Minimum tradelines requirements are waived when the 1st lien has an AUS Approve/Eligible or Approve/Ineligible Recommendation.

BFF Guidelines and overlays apply with an AUS “Out of Scope” finding.

A copy of the appraisal and original pictures and any secondary valuation (if applicable) used for the 1st mortgage is required for the file. Appraisal waivers not accepted.

4.2 Non-Arm’s Length

Non-arm’s length transactions ineligible.

Section 5.0 Borrower Eligibility and Requirements

Refer to Fannie Mae guidelines for all definitions of eligibility status.

5.1 Fraud Report and Background Check

All loan files must include a third-party fraud detection report for each borrower. This report must cover standard quality control areas, including but not limited to borrower validation, social security number verification, criminal records, and property information (both the subject property and any other real estate owned). All high-level alerts identified in the report must be addressed by the underwriter. In the event that the underwriter cannot electronically access the fraud report within the provider's system to resolve high-level alerts, an Underwriter's Certification is acceptable. The Certification must address each individual high-level alert, explain the actions taken to resolve the issues, and be signed and dated by a BFF underwriter.

5.2 Non-Occupant Co-Borrowers

Non-Occupant co-borrowers are ineligible.

5.3 First Time Homebuyers

A First Time Home Buyer as a borrower who has no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the subject property.

For Piggyback loans, a First Time Home Buyer’s housing history defaults to the 1st lien requirements.

5.4 Residency

5.4.1 U.S. Citizen

Eligible without guideline restrictions.

See BFF full Loan Eligibility Guidelines for specifics on:

- Permanent Resident Alien

5.4.2 Ineligible Borrowers

The following borrowers are ineligible:

- Irrevocable Trust
- Land Trust
- Individual possessing diplomatic immunity or otherwise excluded from US jurisdiction.
- Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.
- Foreign Nationals.
- Borrowers without a valid Social Security Number.
- Borrowers who are party to a lawsuit

Section 6.0 Credit

6.1 Credit Report

A credit report is required for every borrower. All applicants must have a valid SSI number. Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility.

Borrower explanations are to be provided for any Disputed Tradelines with derogatory information reported in the last two years.

For borrowers who have a security freeze on their credit, the security freeze must be removed and credit repulled.

6.2 Loan Integrity and Fraud Check

Data integrity is critical to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

6.3 Credit Inquiries

Brokers must inform borrowers that they are obligated to notify the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

For all inquiries within the most recent 90 days of the credit report date, a signed letter of explanation from the borrower or creditor is required to determine whether additional credit was granted as a result of the borrower's request. If new credit was extended, borrower must provide documentation on the current balance and payment; based on the verification of all new debt/liabilities, the borrower should be qualified with the additional monthly payment. If no credit was extended, the borrower must state the purpose of the inquiry.

6.4 Credit Report Update – (09/10/2025)

Broker First Funding requires a gap credit report, soft-pull or undisclosed credit monitoring for all borrowers. This report must be dated within 30 days of the Note date. All Borrowers are required to notify Broker First Funding of any new extension of credit, whether unsecured or secured, that occur during the underwriting process and up to the loans' consummation.

When these reports are required, they must be added to the Mortgage File. All payments, balances and the DTI must be updated accordingly.

Based on the recalculated DTI, a mortgage loan is not required to be re-underwritten if both of the following conditions are met:

- The updated DTI has not increased by 3% or more, AND
- The final updated DTI does not exceed 45%

6.5 Housing History

Borrowers must have satisfactory mortgage and/or rent payment history in the three (3) years prior to loan application. All files must be documented with one of the following:

- **Purchase** – 12-month housing history consisting of mortgage reported on credit or VOR from management company. Combination of mortgage and rent history covering 12 months acceptable.
- **Cash-out** - 6 months current senior lien reporting on credit report, OR one of the following:
 - VOM from an institutional lender.
 - Legally inherited property supported by cancelled checks to senior lien.

6.6 Consumer Credit – (09/10/2025)

6.6.1 Consumer Credit History

Applicants with current credit delinquencies are ineligible.

30-day charge accounts (e.g. Amex) can remain open if borrower has sufficient funds in reserve (cash-out funds included) cover the balance.

6.6.2 Consumer Credit Charge-offs and Collections

Open charge-offs or collections \leq \$1,000 per occurrence are acceptable. Open medical collections \leq \$1,000 per occurrence are acceptable.

6.6.3 Consumer Credit Counseling Services

Borrowers enrolled in credit counseling are ineligible.

6.6.4 Judgment or Liens

All judgements, garnishments and all outstanding liens must be paid off prior to or at loan closing.

6.6.5 Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

6.7 Credit Event Seasoning

No foreclosure actions (NOI, NOD), short-sale, deed in lieu, bankruptcies in last 48 months.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

6.8 Credit Score

The Representative Credit Score is to be used for the Credit Decision. A valid score requires one (1) score from at least two (2) of the following agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable.

A borrowers' representative credit score is the lower of two (2) scores or the middle of three (3) scores.

For loans with multiple borrowers:

The occupying borrower with the highest income is the primary borrower and their representative credit score is to be used. When borrowers are self-employed and have equal ownership of a business, the lowest representative score of all borrowers is to be used.

For DSCR CES loans, the lowest representative score of all borrowers is to be used.

6.9 Standard Tradelines Requirements

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

On Primary residence only, borrowers who do not have the minimum tradelines are acceptable with a current mortgage history on their credit report reporting 0x30x12 (no private party mortgages).

Valid tradelines have the below characteristics:

- The credit line must be reflected on the borrower's credit report
- The account must have activity in the last 12 months but may be open or closed
- Student loans may be counted as tradelines as long as they are in repayment and are not deferred.
- An acceptable 12 or 24-month housing history not reporting on credit may also be used as a tradeline (VOR from professional management company).

The following are not acceptable to be counted as valid tradelines:

- Liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures

- Deed-in-lieu foreclosures
- Short sales
- Pre-foreclosure sales

On piggy-back loans, minimum tradelines are waived when the 1st lien has an AUS with Approve/Eligible or Approve/Ineligible Recommendation.

6.10 Obligations / Liabilities not appearing on Credit Report

6.10.1 Housing and Mortgage Related Obligations

All properties owned by the borrower must be fully documented. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues
- Any subordinate financing payments.
- Premiums and similar charges that are required by the creditor (i.e., mortgage insurance)

6.10.2 Current Debt Obligations, Child Support, Alimony or Maintenance Obligations

Underwriter may use a credit report to verify a borrower's current debt obligations, unless the underwriter has reason to know that the information on the report is inaccurate or disputed.

Monthly alimony, child support or separate maintenance fees should be current at time of application and must be included in the borrower's DTI ratio. The file should contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past due, the borrower is ineligible.

Section 7.0 Assets

7.1 Document Options

For purchase files, documentation of sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff are required and follow 1st lien approval when applicable. FNMA guidelines used to verify funds. All documentation to follow AUS requirements when applicable.

Section 8.0 Income Documentation

8.1 Income Analysis

For stand-alone loans, the income documentation and calculation per FNMA guides with 2 years

verification unless otherwise noted by the program document requirements.

For Piggy-back loans, the income documentation and calculation follow 1st lien approval.

8.1.1 Income Worksheet

For stand-alone loans using a bank statement program, an underwriter's income calculation worksheet detailing income must be included in the file.

Income analysis for borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.

8.1.2 Employment and Income Verification

For stand-alone loans, most recent two (2) years employment is required to be documented and verified for all income/documentation types unless otherwise noted by specific program requirements.

The loan will be ineligible for funding if, at the time the wire is released, any borrower is no longer employed in the position disclosed on Form 1003.

A two-year employment history is required for the income to be considered stable and used for qualifying.

When the borrower has less than a two-year history of receiving income, the underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower.

For piggy-back loans, documentation to follow 1st lien approval.

8.2 Debt to Income Ratio / DTI

Standard Debt-to-Income ("DTI") maximums as per Matrix. See Section 2.4 for limits to DTI on loans with Interest Only First Liens.

DTI is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

8.3 Documentation Options

For stand-alone loans, full income documentation for wage earners and self-employed borrowers. Bank statement documentation for self-employed borrowers.

For piggy-back loans, follow 1st lien documentation requirements. Documentation used for the CES must be the same as used for the 1st lien.

8.4 Full Income Documentation

8.4.1 Full Doc for Stand-Alone

Self-employed borrowers:

- 1- or 2-years tax returns (business and personal) including all schedules.

- Current YTD P&L (borrower prepared ok), or 3 months bank statements.
- Qualifying income based on tax returns. P&L or bank statement to support tax return income.
- Tax transcripts.

Wage/Salaried borrowers:

- W-2s for most recent 1 or 2-years and current paystubs reflecting 30 days' earnings
- W-2 transcripts.

Other Requirements:

- A verbal VOE from each employer within 10 days of the note date for wage and salaried employees.
- For self-employed verify existence of business within 30 days of the note date with one of the following:
 - Letter from a business tax professional.
 - On-line verification from regulatory agency or licensing bureau.
 - Certification verifying business existence through direct contact or internet search.

Other Miscellaneous Income

- The treatment of miscellaneous income sources follows FNMA guidelines.

8.4.2 Full Doc for Piggy-Back

- Documentation requirements to follow 1st lien requirements.

8.5 Expanded Documentation: 12- or 24-months Bank Statements – (09/10/2025)

8.5.1 Expanded-Doc: 12- or 24-months Bank Statements

For self-employed borrowers. Bank statements (personal and/or business) may be used as an alternative to tax returns to document a self-employed borrower's income.

The Primary Borrower (greater than 50% of income) must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.

No 4506-C/tax transcripts/Tax Returns (4506-C required for salaried co-borrowers)

8.5.2 Expanded Doc: Bank Statement Restrictions

Excessive NSF's on the bank statements may cause the loan to be ineligible. Business bank statements must be operating account(s) reflecting normal business expenses.

8.5.3 Expanded Doc: Bank Statement Documentation

- The borrower must document two years' current continuous self-employment with a business license or statement from corporate accountant/CPA confirming the same.
 - Other documentation from third parties may be acceptable on a case-by-case basis (e.g., letter from an attorney).

- Acceptable business license must be verified by third party (e.g., government entity, borrower's business attorney). Borrowers whose self-employment cannot be independently verified are not eligible.
- In instances where a license is not required (e.g., choreographer), a letter from a CPA confirming employment may be accepted in lieu of a license.

1099 Contractor

- A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrower cannot have ownership of 1099 Payor's business.

See BFF full Loan Eligibility Guidelines for other income specifics.

8.5.4 Expanded Doc: Bank Statement Income Analysis

Bank statements are used to calculate and show consistency of income for the self-employed borrower.

When using 12 or 24 months of bank statements, no P&L is required.

Personal & Business Bank Statements Combined

- If personal and business bank activity are combined in one bank account, the borrower is to provide the most recent 24- or 12-months consecutive bank statements from the same account.
- The bank statements are analyzed by Business Bank Statement Analysis guidance in BFF full Loan Eligibility Guidelines to determine qualifying income.
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied. PTIN acceptable if documented as employed by a 3rd party tax preparation service.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation
 - The expense factor per the CPA/CTEC/EA produced statement must be reasonable
- A CPA/CTEC/EA-produced Profit and Loss (P&L) statement, covering the same period as the bank statements (12 or 24 months) can be provided as long as the following applies:
 - CPA/CTEC/EA who prepared the P&L acknowledges in writing that they have prepared or reviewed the P&L
 - PTIN acceptable if documented as employed by a 3rd party tax

- preparation service.
 - The accompanying statement does not have unacceptable disclaimer or exculpatory language regarding its preparation
 - The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.

Personal & Business Bank Statements Separated

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 24 or 12-month consecutive personal bank statements and two (2) months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factor
 - Deposits to a personal account from sources other than self-employment is not to be included.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Business Bank Statements Only

- If only using business bank statements, the borrower is to provide the most recent 24- or 12-months consecutive business bank statements.
- The bank statements are analyzed by the BFF full Loan Eligibility Guidelines.
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied. PTIN acceptable if documented as employed by a 3rd party tax preparation service.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the CPA/CTEC/EA produced statement must be reasonable.
- A CPA/CTEC/EA-produced Profit and Loss (P&L) statement, covering the same period as the bank statements (12 or 24 months) can be provided as long as the following applies:
 - CPA/CTEC/EA who prepared the P&L acknowledges in writing that they have prepared or reviewed the P&L
 - PTIN acceptable if documented as employed by a 3rd party tax preparation service.
 - The accompanying statement does not have unacceptable disclaimer or exculpatory

- language regarding its preparation
- The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.

The bank statements should show a trend of ending balances that are stable over the 24- or 12-month period.

- Large deposits inconsistent with history must be documented as business income.
- Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).

See BFF full Loan Eligibility Guidelines for Bank Statement Income Analysis Guidance.

8.6 Expanded Income Documentation: 1099 – (09/10/2025)

8.6.1 Expanded Doc: 1099

This program is designed for borrowers who are paid on a 1099 basis and would benefit from alternative loan qualification methods.

- Borrower cannot have any ownership interest in the company(s) providing 1099 income
- 1099 statements must be payable to the individual borrower(s). 1099 statements payable to a business entity owned by the borrower(s) are not eligible

8.6.2 Expanded Doc: 1099 Restrictions

- Borrower cannot have any ownership interest in the company(s) providing 1099 income

8.6.3 Expanded Doc: 1099 Requirements and Documentation

The following are required:

- Most recent 1-year IRS Form 1099(s) from employer(s). Borrower must have a 2-year history of 1099 employment.
- Current paystub or bank statement deposit for **each** 1099 source utilized for qualification (e.g. if borrower provided 1099 forms from five (5) separate sources, then a separate paystub/bank statement deposit must be provided from each of the five (5) 1099 sources to support current receipt)
- Third party documentation (CPA/CTEC/EA) supporting a 2-year employment history when 1-year 1099 used.
- Tax transcripts are required for each 1099 provided
- $1099 \text{ income} - 10\% \text{ expense factor} / 12 \text{ months} = \text{Qualifying Income}$.

Please see below examples for qualifications of 1099 income, with a borrower obtaining 1099 income from two (2) different sources:

Borrower's 1099 Sources	1099 Income
1099 Form #1	\$25,000
1099 Form #2	\$35,000
Total 1099 Income	\$60,000
Minus 10% Expense Factor	(\$6,000)

1099 Income less Expense Factor	\$54,000
1099 Income less Expense Factor / 12 months	\$54,000 / 12mos
QUALIFYING INCOME	\$4,500 /month

- 1099 Income that is not supported by documentation of current receipt cannot be used for qualification.

8.7 Expanded Income Documentation: P&L Only – (09/10/2025)

8.7.1 Expanded Doc: P&L Only

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. A CPA/CTEC/EA completed and signed P&L may be used as an alternative to tax returns to document a self-employed borrower's income. No other income documentation type other than Asset Depletion can be combined with the P&L for the self-employed borrower.

No 4506-C/tax transcripts/Tax Returns

8.7.2 Expanded Doc: P&L Only Restrictions

The borrower's qualifying income will be based on the net income as shown on the P&L statement (multiplied by the borrower's ownership percentage).

8.7.3 Expanded Doc: P&L Only Requirements and Documentation

All the following are required:

- Business license for the past 2 years.
- A signed letter from the CPA, CTEC (CA Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number, and license number is required with the following information:
 - CPA/CTEC/EA confirms they have prepared the most recent year's business tax return filing; and,
 - The business name, borrower's name, and percentage of business ownership by the borrower.
- CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) covering the most recent 12-month period.
 - PTINs are not acceptable to sign/prepare P&L statements.
- Evidence the business has been in operation for twelve (12) months or greater.
- Evidence of business ownership percentage if the business is a corporate entity and the P&L covers the business as a whole (not just the borrower's share of the business).
 - Borrower must have at least 25% ownership of the business

- Acceptable forms of documentation include a business license, signed written statement from the CPA/CTEC/EA, an Operating Agreement, Articles of Incorporation/Articles of Organization, a Partnership Agreement, or a Business Certificate filed with a governmental agency.
- Documentation showing sole member entity or sole proprietor is acceptable to indicate 100% ownership.
- Third-party documentation must be provided from which the borrower's ownership percentage can be determined. Documents which are not required to list all owners do not meet this requirement.
- Income from co-borrowers who are W2 wage earners is to be documented with most recent W2 and paystub.

P&L statements not meeting the aforementioned requirements, or which are suspicious in nature, may require additional verification.

8.8 Asset Depletion – (09/10/2025)

On stand-alone loans, Asset depletion can be used to augment qualifying income on all documentation types except DSCR.

Asset Depletion cannot be used as a stand-alone income documentation type.

Allowable and documented assets are divided by 84 months to determine amount added to qualifying income.

- Document each asset with statements covering six (6) months.

On Piggy-back loans, use of asset depletion as qualifying income must follow 1st lien requirements and calculations if applicable. Asset depletion cannot be used if not included in 1st lien qualifying income.

8.9 Investor Debt Service Coverage Ratio: DSCR

8.9.1 DSCR: Investor DSCR (Debt Service Coverage Ratio)

This program is designed for experienced real estate investors and qualified borrowers based on cash-flows solely from the subject property. Only stand-alone cash-out transactions are eligible for this program.

The borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 12 months within the most recent 36 months. Proof of this investor experience must be in loan file. See also [8.9.5 DSCR: Professional Investor](#).

No borrower employment or income to be included in the application.

Borrower must acknowledge the loan is a “business purpose loan” via the [Exhibit A: Occupancy Affidavit](#).

DSCR loans are classified as business loans. Appendix Q and ATR requirements do not apply.

First-Time Investors are not eligible for this transaction type.

8.9.2 DSCR: Restrictions

See Matrix for acceptable credit, max CLTV, reserves, loan amount and DSCR for the transaction.

Not eligible for owner occupied or second home.

Not eligible for purchase/piggyback transactions, or transactions involving first time investors.

Pre-payment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

8.9.3 DSCR: Documentation – (09/10/2025)

Income used to qualify borrower is based upon cash flow from subject property.

All DSCR CES loans must include a Form 1007 Comparable Rent Schedule for long-term rental leases. For short-term rental leases, an Alternative Short-Term Rental Analysis form completed by the underwriter must be provided.

A 4506-C is NOT required.

Refinance Currently Leased 1-4 units:

DSCR is calculated using lower of lease agreement or rental survey.

If the existing lease agreement shows a higher rental amount than the market rent, the higher rents may be used with receipt of most recent three (3) months payments (e.g. cancelled checks, bank statements, etc.), or as per the terms of the lease agreement for new leases.

If the market rent on Form 1007 is greater than the existing lease, the higher market rents may be used as listed not exceeding 120% of the lease amount to qualify (e.g. lease is \$1,400 and Form 1007 is \$1,800, then \$1,680 may be used to qualify. A copy of the lease is not required if the appraiser lists the rent amount for the subject on Form 1007. Otherwise, a copy of the lease is required.

Refinance vacant single unit property:

Utilize rent survey (Form 1007) to calculate DSCR

Refinance 2-4 units with a vacancy:

Eligible with maximum of 1 vacant unit. Use lower of lease agreements or market survey for leased units. Use market survey for vacant units to calculate DSCR.

If existing lease agreement shows a higher rental amount than the market rent, the higher rents may be used with receipt of most recent three (3) months payments (e.g. cancelled checks, bank statements, etc.), or as per the terms of the lease agreement for new leases.

If the market rent on Form 1007 is greater than the existing lease, the higher market rents may be used as listed not exceeding 120% of the lease amount to qualify (e.g. lease is \$1,400 and Form 1007 is \$1,800, then \$1,680 may be used to qualify. A copy of the lease is not required if the

appraiser lists the rent amount for the subject on Form 1007. Otherwise, a copy of the lease is required.

DSCR Refinance Seasoning:

- Not available with less than six (6) months seasoning. After 6 months seasoning, the current appraised value may be used to calculate CLTV.

Accessory Dwelling Unit (ADU)

For properties defined as a one-unit property with an accessory unit (ADU), rental income may be qualified from the accessory unit subject to the following:

- Appraisal must reflect that the zoning compliance is legal (permits are not required to establish zoning compliance),
- The appraisal must include at least two (2) sales comparables with an accessory unit, and Form 1007 must include at least one rental comparable with an accessory unit in which the ADU receives rental income.
- The following are considered on a case-by-case basis:
 - One-unit property with two (2) accessory units
 - Two-unit property with a single accessory unit
- Market rent for the accessory unit should be documented in Form 1007, and the file must include a copy of the current lease with two (2) months proof of current receipt.

Short-term leases

- Use of Alternative Short-Term Rent Analysis form developed by the appraisal management company.
- Use the leases used throughout the year and on average over the 12-month period. If there are months when the property is vacant, use zero for that month in the average. The average should be supported by the comparable rent schedule (within reason).
- VRBO/Air BNB is allowed on DSCR:
 - If subject property leased on a short-term basis utilizing an on-line service such as VRBO/Air BNB, gross monthly rents can be determined by using a 12-month look back period and either 12-monthly statements or an annual statement provided by the on-line service to document receipt of rental income. If documentation cannot be provided covering a 12-month period, the property will be considered unleased.

An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.

All borrowers must provide the following:

- A complete schedule of all real estate owned, indicating financed and “free and clear” properties
- Mortgage/lien rating for each financed property
- Documented proof that lien-free properties are truly “free and clear” of all liens

8.9.4 DSCR: Housing History

A satisfactory housing payment history for the previous twelve (12) months is required for the borrower’s primary residence, as well as the subject property. If housing payment history(s) are verified using a VOM or VOR (private mortgage, landlord, etc.), no additional documentation (e.g.

cancelled checks) is required. Any housing event or mortgage tradeline delinquency reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility. For any non-subject property, non-primary mortgages not reported to the credit bureau, additional housing history is not required.

- If a borrower has less than 12-months primary housing history verified, a 12-month satisfactory mortgage history from another REO owned by the borrower may be utilized.
- If borrower is a Professional Investor, see section 8.9.6 DSCR: Professional Investor

8.9.5 DSCR: Qualification

Loan qualification is based on Debt Service Coverage Ratio (DSCR) for the subject property.

- Use Note Rate to calculate PITIA for use in Debt Service Coverage Ratio (DSCR).

Debt to Income (DTI) ratio is not calculated.

DSCR Debt Service Coverage Ratio (DSCR)

The debt service coverage ratio is calculated by taking the gross rents divided by the PITIA of the subject property.

- No vacancy factor for leased properties.
- Use the Note Rate to calculate PITIA (see Matrix for details).
- Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007). See Section 8.9.3 DSCR: Documentation for allowance to use higher rent amount from lease agreements.
- Minimum DSCR – 1.00

8.9.6 DSCR: Professional Investor – (09/10/2025)

Provides reduced documentation on non-subject properties for the borrower who has a strong investor track record exhibited by the following

- Currently it owns 5 properties (Primary residence included).
- Has five (5) years credit depth reported on credit report.
- At least three (3) mortgages are reported on the credit report within the last three (3) years.
No minimum month's reporting required. No delinquencies allowed on months reported.

Reduced Documentation:

- Mortgage histories on non-subject properties are not required.
- Borrower housing history is not required.

Required Information:

- At least five (5) properties owned by the borrower to be listed on REO schedule.
 - For properties not listed on the credit report, these can be included in the REO.
- All information completed on REO schedule (mortgage balances, gross rents, etc.).

Section 9.0 Senior Lien Documentation Requirements

Stand-Alone CES

- Current (within 60 days) first mortgage statement showing,
 - Current principal balance.
 - Fully amortized.
 - Term.
- HOA statement (if applicable).
- HOI, flood insurance (if applicable), flood cert.

Piggy-Back 2nd:

- Follow 1st lien income requirements.
- 1st mortgage approval reflecting 2nd.
- DU Approve/Eligible or Approve/Ineligible, or LP Accept
- Purchase agreement (if applicable).
- HOA statement (if applicable).
- HOI, flood insurance (if applicable), flood cert.
- Closing instructions reflecting 2nd.
- Full appraisal of 1st mortgage and any additional collateral evaluation

- The following are not valid tradelines:
 - Liabilities in deferment status
 - Accounts discharged through bankruptcy
 - Authorized user accounts
 - Charge-offs
 - Collection accounts
 - Foreclosures
 - Deed-in-lieu foreclosures
 - Short sales
 - Pre-foreclosure sales

Exhibit A: Occupancy Affidavit



Loan Number: _____

Occupancy Affidavit

Borrower:

Co-Borrower(s):

Property Address:

I/We the undersigned certify that:

_____ **Primary Residence** – I/We will occupy the Property as my/our principle residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ **Second Home** – I/We will occupy the Property as second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/We will not occupy the Property as a principal residence or second home. I/We will not occupy for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan)

_____ I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C.

§6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following **must** be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on this date:

_____, _____.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001.et seq.

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise it's remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Signature	Date	Borrower Name	Date
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Borrower Signature	Date	Borrower Name	Date
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Exhibit B: Ability-To-Repay Borrower Attestation

Ability-to-Repay Borrower Attestation

Date: _____

Application No: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [_____] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [_____] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt- to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [_____] has been used and considered in making this loan, as required by applicable law:

Employment and Income:

Current Monthly Income: _____

Current Monthly Income from Assets: _____

Housing Expenses:

Principal and Interest Payment: _____

Real Estate Taxes: _____

Homeowner's Insurance: _____

Association Dues: _____

Other: _____

Total Housing Payment: _____

Debts:

Installment and Revolving monthly debt payments: _____

Other Obligations (including alimony and child support payments): _____

Total Monthly Other Debts: _____

The information listed above and in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [_____] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.

[] wants to make sure that the information listed above is correct and complete. [] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

Signature Date

Signature Date

Exhibit C: Borrower Contact Consent Form

BORROWER CONTACT CONSENT FORM (Information Optional)

To insure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer (its transfers and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

- ☐ Same as the subject property
☐ Please use this mailing address instead:

Cell phone number:

- ☐ I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Email address:

- ☐ I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Signature(s)

Borrower: _____

Date

Co-Borrower: _____

Date

Exhibit D: VA Form #26-6393 Loan Analysis

OMB Control No. 2900-0523
Respondent Burden: 30 minutes
Expiration Date: 06/30/2019

Department of Veterans Affairs		LOAN ANALYSIS		LOAN NUMBER	
<p>PRIVACY ACT INFORMATION: The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.</p> <p>RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: www.reginfo.gov/public/do/PRAMain. If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.</p>					
SECTION A - LOAN DATA					
1. NAME OF BORROWER		2. AMOUNT OF LOAN \$		3. CASH DOWN PAYMENT ON PURCHASE PRICE \$	
SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS					
4. APPLICANT'S AGE	5. OCCUPATION OF APPLICANT	6. NUMBER OF YEARS AT PRESENT EMPLOYMENT	7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$	8. CURRENT MONTHLY HOUSING EXPENSE \$	
9. UTILITIES INCLUDED <input type="checkbox"/> YES <input type="checkbox"/> NO	10. SPOUSE'S AGE	11. OCCUPATION OF SPOUSE	12. NUMBER OF YEARS AT PRESENT EMPLOYMENT	13. AGE OF DEPENDENTS	
NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR					
SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES (This Property)			SECTION D - DEBTS AND OBLIGATIONS (Itemize and indicate by (✓) which debts considered in Section E, Line 40) (If additional space is needed please use reverse or attach a separate sheet)		
ITEMS		AMOUNT	ITEMS	(✓)	MO. PAYMENT
14. TERM OF LOAN: YRS.			22.		\$
15. MORTGAGE PAYMENT (Principal and Interest) @ _____% \$			23.		\$
16. REALTY TAXES			24.		\$
17. HAZARD INSURANCE			25.		\$
18. SPECIAL ASSESSMENTS			26.		\$
19. MAINTENANCE & UTILITIES			27.		\$
20. OTHER (HOA, Condo fees, etc.)			28.		\$
21. TOTAL		\$	29. JOB RELATED EXPENSE (e.g., child care)		\$
			30. TOTAL		\$
SECTION E - MONTHLY INCOME AND DEDUCTIONS					
ITEMS		SPOUSE	BORROWER	TOTAL	
31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT				\$	
32. FEDERAL INCOME TAX		\$	\$		
33. STATE INCOME TAX					
34. RETIREMENT OR SOCIAL SECURITY					
35. OTHER (Specify)					
36. TOTAL DEDUCTIONS		\$	\$	\$	
37. NET TAKE-HOME PAY					
38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)					
39. TOTAL (Sum of lines 37 and 38)		\$	\$	\$	
40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME					
41. TOTAL NET EFFECTIVE INCOME				\$	
42. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)					
43. BALANCE AVAILABLE FOR FAMILY SUPPORT			GUIDELINE \$	\$	
44. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 --- sum of Items 31 and 38)				%	
45. PAST CREDIT RECORD <input type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY		46. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case) <input type="checkbox"/> YES <input type="checkbox"/> NO			
47. REMARKS (Use reverse or attach a separate sheet, if necessary)					
CRV DATA (VA USE)					
48A. VALUE		48B. EXPIRATION DATE		48C. ECONOMIC LIFE YRS.	
SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION					
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives. <input type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above.					
The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)					
49. DATE		50. SIGNATURE OF EXAMINER/UNDERWRITER (Sign in ink)			
51. FINAL ACTION <input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION		52. DATE		53. SIGNATURE AND TITLE OF APPROVING OFFICIAL	

Exhibit E: Sample of CPA Letter

January 28, 2019

ABC CPA FIRM
ADDRESS | CITY, ST ZIP CODE

XYZ LENDER
ADDRESS | CITY, ST ZIP CODE

To whom it may concern:

I have worked with borrower, John Homeowner, for 5 years. Mr. Homeowner has been the founder/CEO of company, 123 Business, since 2008. I have either completed or reviewed Mr. Homeowner's taxes, and determined that 123 Business operates at a 35% expense factor.

SINCERELY,

JANE SMITH, CPA

Address | City, St Zip Code

ABC CPA Firm Logo