NONI Guidelines

Underwriting Guidelines Version 6.0

Effective: June 15th, 2023

Contents

Chapter 1: Introduction

1.1 Underwriting Philosophy

Hometown Equity Mortgage takes a common-sense approach to credit policy to simplify the process of underwriting. As a result, Hometown Equity Mortgage is aware that not every loan scenario will be specifically addressed within these guides and may deserve additional consideration. Hometown Equity Mortgage originates 1-4 unit loans in compliance with the Dodd-Frank Act Ability to Repay (ATR) provisions, where applicable. Additionally, the NONI loan products may fall outside of Qualified Mortgage (QM) guidelines and may represent a higher (or lower) level of risk. As a result, Hometown Equity Mortgage will only originate loans to borrowers that, in Hometown Equity Mortgage's sole opinion, have a reasonable, good-faith determination that the consumer has a reasonable willingness & ability to repay the loan. Hometown Equity Mortgage does this by verifying information provided by the loan applicant(s), independently verified third-parties and/or third-party records that provide reasonably reliable evidence of income or assets.

Each applicant has a unique situation and therefore, is weighed on its own merits. Hometown Equity Mortgage's stated objective is to facilitate the financing needs of credit-worthy borrowers while mitigating risk for the enterprise.

If a loan is subject to the ATR rules under the Federal Truth in Lending Act (TILA), Hometown Equity Mortgage will consider the following eight underwriting factors:

- The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan
- The consumer's current employment status, if Hometown Equity Mortgage relies on income from the consumer's current employment in determining repayment ability
- The consumer's monthly payment for the covered transaction, calculated in accordance with these guidelines
- The consumer's monthly payment on any simultaneous loan that Hometown Equity Mortgage knows or has reason to know will be made, calculated in accordance with these guidelines
- The consumer's monthly payment for mortgage-related obligations
- The consumer's current debt obligations, alimony & child support
- The consumer's monthly debt-to-income ratio or residual income in accordance with these guidelines
- The consumer's credit history

Certain loans may be exempt from TILA or otherwise exempt from the ATR rule. In those instances, Hometown Equity Mortgage may originate a loan which does not adhere to the formal requirements of the ATR rule.

1.2 AUS/ Alternative Loan Review	This is not required for a business purpose loan

Chapter 2: Programs

2.1 Program Overview	NONI has been crafted for borrowers seeking financing for non-owner or investment properties. This program offers two options specifically designed for business purpose 1-4 unit commercial loans. • NONI: Debt Service Coverage Ratio ≥ 1.0 • NearNONI: Limited Debt Service Coverage Ratio < 1.0 • NONI65: Low LTV High FICO Borrowers • NONI58: 5-8 Units or 2-8 Mixed Use • Foreign Nationals When these guides are silent & where no explicit written instructions to the contrary are provided by Hometown Equity Mortgage, Fannie Mae standards apply.
2.2 Eligible Products	7/6 Adjustable Rate Mortgage (ARM) ➢ Qualifying rate: Qualify borrower(s) at the note rate Margin, Index, Cap Structure & Floor: [see matrix] 10/6 Adjustable Rate Mortgage (ARM) ➢ Qualifying rate: NA Margin, Index, Cap Structure & Floor: [see matrix] 30 Year Fixed Rate ➢ Qualify borrowers at the note rate 30 & 40 Year Fixed Rate Interest Only ➢ 10 year I/O term ➢ 20/30 yr amortization period
2.2.1 Product Details	**Interest-Only** ○ Qualifying ratios are based on the initial interest-only payment (ITIA)

	7/6 Adjustable Rate Mortgage (ARM) ➢ Qualifying rate Doc: Qualify borrower(s) at the note rate ➢ Margin, Index, Cap Structure & Floor: [see matrix] ➢ Interest-Only period: 120 months/10 years ➢ Loan terms: 360 months/30 years or 480 months/40 years ➢ Amortization period: 240 months/20 years or 360 months/30 years
	10/6 Adjustable Rate Mortgage (ARM)
	➢ Qualifying rate: NA ➢ Margin, Index, Cap Structure & Floor: [see matrix] ➢ Interest-Only period: 120 months/10 years ➢ Loan term: 360 months/30 years or 480 months/40 years ➢ Amortization period: 240 months/20 years or 360 months/30 years
2.3 Maximum Loan Exposure	More than 4 loans HEM loans extended to any one individual requires loan committee approval
2.4 Maximum LTV/CLTV	Maximum CLTV = Maximum LTV. [See Matrix] for program specific LTV/CLTV restrictions.

2.5 Interested Party Contributions / Seller Concessions

Maximum Contributions		
Occupancy	**LTV**	**Contribution**
Investment/NOO	≤ 70%	6%
	> 70%	4%

- Max percentage calculated off lesser of sales price or appraised value

All interested party contributions must be disclosed in the sales contract, estimated settlement statement, appraisal, and closing disclosure and must be compliant with applicable federal, state & local law.

Interest party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs, prepaid expenses, discount points and other financing concessions. They may never be applied to any portion of the down payment or contributed to the borrower's financial reserves requirements. If an interested party contribution is present both the appraised value and sales price must be reduced by the concession amount that exceeds the limits above.

2.6 Impounds/ Escrows

Impounds are required for:

- HPML transactions
- Flood insurance
- LTVs > 80%

2.7 Subordinate Financing

Subordinate financing is allowed and does not need to be institutional in nature but must adhere to the below:

- The scheduled payments must cover at least the interest due, negative amortization is not allowed
- Subordinate financing payments must be included in the subject properties DSCR, if the note does not contain a rate of interest, impute a market rate of interest with an interest only payment calculation. If a market rate of interest cannot be reasonably ascertained, 1.0% of the original loan amount can be utilized as an alternative method of payment calculation
- If the secondary financing is an equity line of credit, the CLTV must be calculated using the maximum credit limit, unless the line of credit is past its draw period, plus any other subordinate financing

If the subordinate financing has a simultaneous closing, the following is required:

- A copy of the executed note at closing
- A copy of the loan approval & repayment terms for the new financing

If the existing secondary financing is being subordinated, the following is required:

- The terms of the existing lien
- A copy of the subordination agreement prior to closing

	A copy of the executed subordination agreement at closing
2.8 Age of Credit Exhibits	All loan documentation must be dated within 120 days of the note date. The appraisal should be dated no more than 180 days prior to the note date. See Appraisal Age for further details
2.9 Property Listing Seasoning	Properties listed for sale in the past six (6) months are ineligible, unless there is a ≥ one (1) year prepay penalty on the new loan
2.10 Prepay Penalty	Prepayment penalties are eligible on transactions and must comply with the terms and limitations of the applicable state and federal law(s).
2.11 State & Federal High Cost Loan	Not Eligible
2.12 Assumption	Adjustable rate notes may be assumable based upon the note. Fannie Mae notes contain an assumable clause. Regardless, the verbiage on the note and closing disclosure must match. Fixed rate notes are not assumable

Chapter 3: Insurance

3.1 Hazard Insurance	The subject property must always be covered, including when vacant, against loss or damage from fire and other hazards with a Homeowners/Master Casualty Policy. Hazard insurance is required for all 1-4 unit attached and detached properties. An individual Homeowners policy is acceptable for 2- to 4-unit properties. The insurance must be in force at the time of closing and the loan file must evidence the existence of insurance for the subject property and project (where applicable) prior to the close of escrow.
3.1.1 Condo and Attached PUD Specific Hazard Insurance	The homeowner may provide insurance protection from either an individual insurance policy or a master insurance policy provided by the HOA using one of the following options: ➢ A master policy provided by the HOA that includes full insurance protection for the individual (both exterior & walls-in) as well as the common areas ➢ A master policy provided by the HOA that includes coverage for the exterior of the unit as well as the common areas, the homeowner must then provide a walls-in policy; or ➢ A master policy provided by the HOA that covers only the common areas. The homeowner must then provide coverage for both the exterior and interior (walls-in) of the unit Either the master policy or the individual unit policy must provide adequate liability coverage in addition to structural coverage.
3.1.2 Amount of Coverage	The hazard insurance coverage should be equal to the lesser of: • Replacement Cost Estimator from the property insurer or a 3rd party source (i.e., CoreLogic), if provided • Estimated cost to replace the dwelling from a recent appraisal, if provided • The unpaid principal balance of the mortgage Hometown Equity Mortgage will not accept hazard insurance policies that limit or exclude coverage for windstorms, hurricanes, hail damages, or any other hazard normally included under an extended coverage endorsement unless a separate policy or endorsement is obtained that provides adequate coverage for the limited or excluded peril. The separate policy may come from an insurance pool established by a state to cover the limitations or exclusions
3.2 Flood Insurance	Flood insurance is required for any property located within any area designated by FEMA as a Special Flood Hazard Area. This is typically denoted as Flood Zone A or Zone V. Properties located in Flood Zone A or V must be in a community which participates in the FEMA program to be eligible for financing. Flood insurance must be impounded

3.2.1 Flood Zone Determination / Flood Certificate	Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by FEMA. Additionally, the appraisal report should reflect the flood zone. Flood insurance can be waived if: ➢ Borrower obtains a letter from FEMA stating its maps have been amended so the subject property is no longer in a Special Flood Hazard Area; or ➢ Subject property improvements are not in the Special Flood Hazard Area, even though part of the land is in Flood Zone A or V
3.2.2 Minimum Flood Insurance Coverage	If the subject property is in a Special Flood Hazard Area (SFHA), flood insurance is required. 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 • The unpaid principal balance of the mortgage When a mortgage loan is secured by a unit in an attached condo project and any part of the building improvements are in an SFHA, Hometown Equity Mortgage must verify that the HOA maintains a master policy of flood insurance. The premiums must be paid as a common expense unless indicated otherwise in the table located in the "Requirements for a Unit in a Project Development" Section.
3.3 Commercial General Liability Insurance: 2-8 Mixed-Use Properties	Commercial general liability insurance blanket policy against claims for personal injury, bodily injury, death or property damage occurring upon, in or about any property, such insurance to be: • Per Occurrence Minimum Coverage: $1,000,000 • Aggregate Coverage: $2,000,000 • At least as broad as Insurance Services Office's (ISO) policy form CG 00 01
3.4 Mortgage Insurance	Mortgage insurance is not required

Chapter 4: Appraisal

4.1 Appraisal Requirements	A completed appraisal report with full interior/exterior appraisal is required on all loan transactions to assess the adequacy of the property as collateral for the mortgage requested. The licensed appraiser is required to perform an interior inspection when completing the appraisal report. Appraisers are required to use current appraisal report forms acceptable to Fannie Mae and/or Freddie Mac. . Properties for which the appraisal indicates condition ratings of C5 or C6 or a quality rating of Q6, each as determined under the Uniform Appraisal Dataset guidelines are not eligible under the NONI program.

Loan Amount	Appraisal Requirement
≤ $2.0 million	One Full Appraisal*
> $2.0 million	Two Full Appraisals**

*CDA or Fannie Mae SSR risk score of ≥ 2.5 is required in addition to appraisal
**The lower value of the two appraisals will be utilized (ARR/CDA/CU not required when two appraisals are obtained). A second appraisal may be required on Flip transactions. CDA's are not required when 2 appraisals are obtained

4.2 Appraisal Age	The appraisal should be dated no more than 365 days prior to the Note date. When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D). • If the appraiser indicates on the Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property. • If the appraiser indicates on the Form 1004D that the property value has not declined, then the seller may proceed with the loan in process without requiring any additional fieldwork. Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines are not eligible. HEM will consider if the issue has been corrected prior to loan funding and with proper documentation.

4.3 Appraisal Transfers	Appraisal transfers are allowed; however, Hometown Equity Mortgage will not accept appraisals from appraisers on probation with any regulatory agency. The following requirements apply to all transferred appraisals: • A Clear Capital CDA • A transfer letter from the lender of record • Air Cert • Fannie SSR • Proof of delivery to the borrower If HEM is unable to obtain correction on the transferred appraisal or if the appraisal is deemed unacceptable, a new appraisal will be required ***Appraisals in the brokers name are allowed by exception only ***
4.4 Additional Valuation Requirements	When only one full appraisal is required and the Fannie CU score ≥ 2.5 or there is no CU score: A Clear Capital CDA (or similar) supporting the appraised value within 10%. If the CDA comes in ≥ 10% below the appraised value, then a field review ordered from a provider approved by Hometown Equity Mortgage is required. If the field review value is within 5% of the appraised value, Hometown Equity Mortgage will use the appraised value. If, however, the field review is > 5% below the appraised value, a second appraisal is required along with management review. Hometown Equity Mortgage will utilize the lower of the two appraised values if management approves.
4.5 Disaster Events	Adverse events that receive a formal disaster declaration issued by local, state or federal departments of emergency management must follow the procedures listed below. A list of all federally declared disaster areas can be found on the FEMA website. When an adverse event is occurring in and around the subject property's geographic region and a formal declaration has not yet been made, additional due diligence is required and Hometown Equity Mortgage will determine whether the disaster area guidelines should be followed.

4.5.1 Appraisals Completed Prior to Disaster Event	An exterior inspection of the subject property, performed by the original appraiser, if possible, is required. • The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same. • An Inspection Report must include new photographs of the subject property and street view. • Any damage must be repaired and re-inspected prior to funding.
4.5.2 Appraisals Completed After Disaster Event	When the inspection date of the appraisal is after the incident date, a re-certification is not required if the appraisal contains language stating the property is free of damage and the value & marketability is unaffected.

Chapter 5: Property Eligibility

5.1 Minimum Property Standards

Minimum property standards include but may not be limited to:

- Total gross living area
  - SFR - 700 sq. ft
  - Condo - 500 sq. ft
  - NONI58 – 400 sq. ft per unit
- Constructed for year-round use
- Contain a full kitchen and a bathroom
- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing

5.2 Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the value of the personal property for purposes of calculating the LTV, CLTV, etc.

5.3 Ineligible Property Types

The Following are ineligible:

- Houseboat
- Hawaii properties located in lava zones 1/2
- Co-op
- Mobile Homes
- Manufactured Homes
- Hobby Farm
- Working farms, ranches, or orchards

The following are eligible on a case-by-case basis

- Agricultural zoned property
- Commercially zoned properties
- Income producing properties with acreage
- Property subject to oil and/or gas leases
- Unique properties

5.4 Acreage Limitations	Maximum 10 acres (exceptions on a case-by-case basis, appraisal must include total acreage & must have acceptable sales comps of similar size) [See Matrix]

5.5 HPML Property Flipping Appraisal Rule	• Applies to covered HPML transactions.
	  ○ Exclusions include Qualified Mortgages (QM) and Loans for the initial construction of a dwelling.
	• A property is considered a "flip" if either of the following are true:
	  ○ The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement.
	  ○ The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement.
	    ▪ The acquisition date is the day the seller became the legal owner.
	    ▪ The purchase date is the day the borrower and the seller sign the home purchase agreement.
	    ▪ Start with the day after the acquisition date and count up to and including the purchase date.
	• If the property is a "flip" as defined above, the following additional requirements apply:
	  ○ A second appraisal must be obtained.
	  ○ If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
	  ○ The second appraisal must be dated prior to the loan consummation/note date.
	  ○ The property Seller on the purchase contract must be the owner of record.
	  ○ Increases in value should be documented with commentary from the appraiser and recent comparable sales.
	  ○ Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

5.6 Ownership	Ownership must be fee simple

5.7 Title Vesting

The following forms of vesting are acceptable:

- Individual names
- Tenants in Common
- Joint Tenants
- Living Trust (inter vivos revocable trust)
- Land Trust
- Limited Liability Company (LLC)
- Limited and General Partnerships
- Corporations
- S-Corporations

5.7.1 Living Trust /Inver Vivos Revocable Trust

The Inter Vivo revocable (Living) trust must comply with the following:

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/are establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

- The trustee(s) must be named in the trust document to hold legal title to and manage the property in the trust and the trustee must have explicit power to mortgage the property for the creator(s) of the trust.
- The title policy must indicate that title is vested in the trustee(s) of the Inter Vivo trust or such other manner as is customary in the jurisdiction for living trusts.
- Loan documents are to be executed so as to ensure full recourse against the underlying creators/applicant(s). The creator/applicant(s) will sign the note individually as guarantor(s)
- The trust must comply with all applicable state and local laws & regulations
- A copy of the trust may be required or, in lieu of the trust documents, a signed attorney’s opinion letter may be obtained.

The opinion letter must indicate the trust meets all of the above requirements and must also include:

- Name of the trust
- Settler(s) of the trust
- Date trust was executed
- Name(s) and total number of trustee(s)
- Trust is revocable
- Manner in which vesting will be held
- Whether the trust has been revoked, amended or modified in any manner

5.7.2 Illinois Land Trust	An Illinois land trust is a trust in which the real estate is declared as personal property under the terms of a trust agreement. The trustee holds legal and equitable title to that property subject to the provisions of the trust agreement that sets out the rights of the beneficiaries. A property owner will transfer the property title to a corporation or financial institution that currently is in the business of acting as trustee under an "Illinois Land Trust". Concurrently, the owner (beneficiary) retains the power to manage, sell and control the property. There are two parts to the "Illinois Land Trust": ➢ Deed of Trust: transfers the title from the beneficiary to the trustee ➢ Trust Agreement: states the rights and power of direction The trust agreement must ensure that for all land trusts: ➢ At least one applicant must be a beneficiary of the trust ➢ Trustee must be a corporation or financial institution customarily engaged in the business of acting as trustee for land trusts in the applicable jurisdiction ➢ Title search results must be consulted to ensure the current title reflects an accurate trust number and trust date ➢ The trust's term must not be expired Additional requirements: ➢ Note must be signed by the applicant(s) & the institutional trustee ➢ Mortgage or Deed of Trust must be signed by the trustee only ➢ Institutional trustee must certify, in writing, that Hometown Equity Mortgage will be notified if the trust attempts to change its name ➢ Power of Attorney (POA) is not allowed

5.7.3 Limited Liability Company (LLC)	An LLC is a non-corporate business whose owners actively participate in the organization's management and are protected against personal liability for the organization's debts and obligations. Vesting in Domestic LLCs are eligible subject to the requirements below:
	
	• Must be legal in the state in which the LLC is being formed
	• Maximum 4 members who may be U.S. Citizens, Permanent Resident Aliens, Non-Permanent Resident Alien
	• Members of the LLC must be beneficial owners of the property
	• The operating agreement must provide the term of the LLC and the members authorized to encumber the LLC as guarantors
	• At least one member of the LLC is required to qualify for the loan and individually sign the note. Additionally, the Applicants on the loan must combined to own ≥ 50% of the LLC.
	• LLCs are acceptable in all lending areas and all occupancies
	
	LLC documentation requirements:
	• Entity Articles of Organization or Partnership
	• Certificate of Good Standing or equivalent
	• Certificate of Authorization for the person executing all documents on behalf of the Entity. The authorization may be determined in an Operating Agreement or other corporate documents.
	• Corporate documents that contain a list of owners, title, and ownership percentage, e.g., organization structure
	• Tax Identification Number (Employer Identification Number - EIN)
	    o Single Member LLC may use EIN or the guarantor social security number
	    o All multi-member LLCs must have an EIN
	
	Note: the LLC is not required to be a single purpose LLC and may own multiple properties

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<td>5.7.4 Limited & General Partnerships, Corporations, and S- Corps</td>
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Vesting in the name of a partnership or corporation is acceptable under the These loans must be business purpose loans. The following standards apply:

All owners/members with >25% ownership must be borrowers on the loan, meet credit requirements, be on the note and personally guarantee the loan
All borrowers must sign the Occupancy Affidavit or business purpose application/disclosures prior to closing

The following documentation is required:

Corporation

Filed Certificate/Articles of Incorporation (and all amendments)
By-Laws (and all amendments)
Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is incorporated)
Tax Identification Number (EIN)
Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
Receipt of current year franchise tax payment or clear search

Partnership

Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
Partnership Agreement (and all amendments)
Certificate of Good Standing (Issued by the SOS where the partnership is registered)
Tax Identification Number (EIN)
Limited partner consents (where required by partnership agreement)

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5.8 Leasehold Properties	Leasehold estates are eligible. The following conditions must be met for a leasehold property: • The appraisal must contain detailed descriptions of the terms, conditions and restrictions of the ground lease • The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land • The appraiser must report any effect the terms of the lease has on the value and marketability of the subject transaction • Leasehold must run five years beyond the maturity date of the mortgage • A copy of the underlying lease (and any subleases) may be required by Hometown Equity Mortgage • Appraiser should use sales of similar properties that have the same lease terms as comparable sales (if available); if there are no comparable sales of leasehold properties, the appraiser should use sales of similar properties owned in fee simple as comps • The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien and be insured by Hometown Equity Mortgage's title policy • Must meet all other Fannie Mae eligibility requirements
5.9 Mixed Use Properties	Eligible - See section 16.0
5.10 ADU/ Accessory Units	HEM will allow a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property. If the property contains an accessory unit, the property is eligible under the following conditions: • The property is defined as a one-unit property. • There is only one accessory unit on the property; multiple accessory units are not permitted. • The appraisal report demonstrates that the improvements are typical for the market through an analysis of at • least one comparable property with the same use. • The borrower qualifies for the mortgage without considering any rental income from the accessory unit. • For properties located in California, if zoning (current or grandfathered) permits an accessory unit, the rental income may be included, subject to the following:

	○ Appraisal reflects the accessory is legal and the appraisal report includes at least one comp with an accessory unit. ○ Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of a current lease with two (2) months proof of current receipt. Manufactured Homes are not eligible ADUs and cannot be anywhere on the subject property.
5.11 Unpermitted Additions	In order to include the space in the determination of value, the appraiser must comment that the addition was completed in a workmanlike manner and demonstrate the addition does not have any adverse impact on marketability. Otherwise, the appraiser should make note of the space but not include it in the conclusion of value.

5.12 Deed/ Resale Restrictions	Hometown Equity Mortgage will allow the following deed restrictions: • Age-related requirements (senior communities must comply with applicable laws) Deed restrictions have the following requirements: • Deed restriction must not restrict the first mortgage holder's legal rights in the event of a default (or cure), foreclosure, or any other default measure • Declarations must not contain any provisions that would require the first mortgage holder to send a notice of default or foreclosure to any third party • Deed restrictions must not require the lender to provide notification to the governing authority of any delinquency or default • Must follow Fannie resale restriction appraisal requirements
5.13 Land Contracts/ Bond for Deed	A copy of the executed land contract or contract for deed is required. Transaction definitions (Purchase, etc.) and LTV calculations should follow Fannie Guidelines.
5.14 Power of Attorney (POA)	Power of Attorney Requirements • An attorney-in-fact or agent under a power of attorney must sign the security instrument and/or note • The power of attorney must be specific to our transaction and must reference the address of the subject property • A power of attorney used for a signature on a security instrument must be recorded with the security instrument • The name(s) on the power of attorney must match the name(s) of the person on the loan document • The power of attorney must be valid at the time the loan documents are executed. • The power of attorney must be notarized • All POAs must be approved by the underwriting manager • Not allowed on cash out refinances Ineligible Attorneys-in-Fact • any employee or affiliate of Hometown Equity Mortgage • the loan originator; • the employer of the loan originator; • any employee of the employer of the loan originator; • the title insurance company providing the title insurance policy or any affiliate of such title insurance company • any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

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<tr><td>5.15 Assisted Living / Nursing Homes</td><td>

**** Allowed by exception only*****

Property must remain residential in nature
Minimal modification
Income:

Current Lease or Market rents whichever is less
Current Lease with higher than market rents can be used with proof of receipt of income for 3 months
Income from the business is not used to qualify, these are cash flow rental properties.

Property:

Home must be residential in nature.
SFR- cannot have any major alterations to the home-

Example:

Dividing a 4-bedroom home into 8, 10 or more rooms
Conversion of common areas in the home to living space

Living room
Dining room

Examples of items acceptable

Wheelchair ramps for handicap
Railing in bathrooms and showers etc.

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<tr><td>5.16 Declining Markets</td><td>

If the trend of property values is downward, a “Declining Market” exists. This requires a 5% LTV reduction from the regular LTV matrix for LTVs greater than 70%.

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Chapter 6: Warrantable Condominiums

6.1 General Project Criteria	• Project must be in full compliance with all applicable local and state laws & regulations • Project meets all FNMA insurance requirements for property, liability and fidelity coverage • Common areas and amenities within the project or subject phase must be complete • Project documents do not give a unit owner or any other party priority over the rights of the first mortgagee
6.1.1 Project Review Requirements	General Requirements • Completed HOA certificate is required (see below) • Copy of Master property insurance & flood insurance (if applicable) • Master liability insurance • H06-Walls-in coverage Project Review Requirements • Must meet General Project Standard per the Fannie Sellers Guide • HEM Project Questionnaire • Appraisal detailing all project occupancy, size and phasing • Appraisal detailing all project occupancy, size and phasing • Litigation docs (if applicable) • Ground lease (if applicable)
6.2 Ineligible Projects	• Timeshares or projects that restrict the owner's ability to occupy the unit • Projects that include live/work units • Manufactured home projects • Assisted living facilities, continued care facilities and life care facilities • Multi-family units where single deed has ownership of more than one of the units • Projects where > 50% of the total sq footage in the project is used for non-residential purposes • Common interest apartments • Projects in litigation (or other disputes) or with adverse environmental issues involving safety, soundness or habitability of the subject
6.4 Condo Title Surveys	Title surveys are not required for condominiums

Chapter 7: Non-Warrantable Condominiums

7.1 General Criteria

Non-Warrantable condos allowed according to the characteristics listed in the table below. Completion of Fannie Mae's Condominium Full Review Form (or similar Seller's form) with supporting documents must be provided with loan package. The project and individual unit are to be reviewed by the Seller to determine whether the non-warrantable characteristic shown in the following table.

Review requirements, documents and limitations:

- Completed HOA certificate is required
- Copy of Master property insurance and flood if applicable
- Master liability insurance
- HOA budget
- Copy of current balance sheet
- For new construction CC&Rs and Bylaws
- Litigation docs if applicable
- Ground lease if applicable

Non-Warrantable Condo Allowable Characteristics

Characteristic	Parameters
Commercial Space	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
New Projects	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on HOA fees.
HOA Control	The developer may be in control of the condominium association as long as the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA Reserves	Annual budget specifies a minimum of 5% allocation of replacement reserves.
Investor Concentration	Concentration up to 60%. Higher percentages may be accepted when there is an established history of a high percentage of rental units in the project demonstrated.
Litigation	Pending litigation may be accepted on a case by case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
Single Entity Ownership	Single entity ownership up to 25%

7.2 Condotels	Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
	• Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
	• A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
	• Investor concentration, within the subject project, may exceed established project criteria, up to 100%.
	• Maximum LTV/CLTV
	• Purchase: 75% (65% for Foreign National program)
	• R/T and Cash-Out: 65%
	• Maximum Loan Amount: $1.5 million
	• Minimum Loan Balance: $150,000
	• Gross rents (for all income doc types) reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
	• Minimum square footage: 500
	• Fully functioning kitchen – define as full-size appliances including a refrigerator and stove/oven
	• Bedroom required.
	• Florida Condominiums:
	  ○ For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statue 533.889.
	  ○ For projects not in compliance with this statue, financing is not eligible.
	  ○ For projects meeting compliance, financing is eligible subject to a 5% LTV reduction

Chapter 8: Transaction Types

8.1 Purchase Money	Proceeds from the mortgage transaction must be used to finance the acquisition of the subject property or to pay off the outstanding balance of a <u>land contract or contract for deed</u>.
8.1.1 Arm's Length Purchase Transactions	The following transactions are considered "Arm's Length": ➢ Spousal buyout due to divorce ➢ Interest buyout of an inherited property ➢ Borrower acting as their own "selling" broker (the purchaser's realtor) • The borrower as the listing agent (seller's realtor) is a "Non-Arm's Length" transaction. See 8.2 Non-Arms Length ➢ Loan officer representing the borrower who works in the same office ➢ Broker of record originating their own loan or through an employee and Loan Officers originating their own loan • Case by case only • Transferred appraisals are OK with a CDA • Requires management review
8.1.2 Purchase LTV/CLTV	The LTV/CLTV is based upon the lesser of the sales price or appraised value.
8.2 Non-Arm's Length	Non-arm's length transactions include, but are not limited to: ➢ Sales transactions between family members ➢ Foreclosure bailouts ➢ Trading properties between buyer & seller ➢ Renters purchasing from landlord ➢ Buyer/Borrower relationship with the builder or developer Non-arm's length transactions are not eligible for the NONI program

8.3 Rate & Term Refi	Proceeds from the transaction are used to:
	• Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
	• Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
	  ○ Closed-end loan, at least 12 months of seasoning has occurred.
	  ○ HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
	• Buy out a co-owner pursuant to an agreement.
	• Pay off an installment land contract executed more than 12 months from the loan application date.
	Other considerations:
	• Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
	• LTV is based on the appraised value
	• Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

8.4 Cash-out Refi

A refinance that does not meet the definition of a rate/term transaction is considered cash-out.

- See Loan/LTV Matrices for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Cash-out eligible to satisfy the reserve requirements.

Loans not eligible for cash-out:

- Primary Residence or Second Home properties listed for sale in the past six (6) months.
- Investment properties listed for sale in the past six (6) months, unless a one (1) year prepay penalty, per requirements in Section 4.4.7 Prepayment Penalty are met.
- Payoff of a Land Contract/Contract for Deed.
- When proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.

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.
- The LTV/CLV is based upon the appraised value.
- Cash-out seasoning of six (6) months or less is allowed with the following restriction:
    - The Seller has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

8.4.1 Delayed Financing	• Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
	  ○ The original purchase transaction was an arms-length transaction.
	  ○ The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
	  ○ The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
	  ○ The preliminary title search or report must confirm that there are no existing liens on the subject property
	  ○ The transaction is considered cash-out; cash-out pricing adjustors apply
	  ○ The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

Chapter 9: Applicant Eligibility	
9.1 Public Record Search	All loans must include a third-party fraud detection report for all borrowers. Report findings should cover standard areas of quality control including: • Borrower validation • SSN verification • Property information including other REO • No outstanding judgements or liens
9.2 First-Time Homebuyer	A borrower who has had no ownership interest in a residential property during the three-year period preceding the date of purchase of the subject property is considered a first-time homebuyer (FTHB). ***FTHBs are not eligible for the NONI program***
9.3 Residency	• U.S. Citizen (Eligible without restrictions) • Permanent Resident Alien • Non-permanent Resident Alien

9.3.1 Permanent Resident Alien	A permanent resident alien is a non-US citizen authorized to live and work in the US on a permanent basis. Acceptable evidence of lawful permanent residency must be documented and meet the following criteria: ➢ I-551 Permanent Resident Card (AKA "Green Card") issued by the Dept. of Homeland Security (DHS) U.S. Citizenship & Immigration Services. ➢ Applicant must present either unexpired I-551 card or unexpired temporary I-551 stamp on an unexpired foreign passport reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until MM-DD-YY. Employment Authorized."
9.3.2 Non-Permanent Resident Alien	A non-permanent resident alien is a non-US citizen authorized to live and work in the U.S. on a temporary basis. The following visa categories are eligible for financing: • E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA. • Visa Waiver Countries – no visa required Applicants must have been living and working in the U.S. for at least 2 years, have a valid SSN, and have established credit history. Copies of borrower's passport and unexpired visa must be obtained. Visa must be current and may not expire for a minimum of 1 year following the close date. A valid employment authorization document (EAD) is acceptable in lieu of a Visa. • If the EAD will expire within 12 months of the note date, evidence of a prior renewal and filed renewal application must be obtained.

9.3.3 Foreign National	Foreign Nationals are defined as Applicants who do not work in or reside in the U.S. The Applicant must reside in and work in a foreign country. Foreign Nationals may purchase property in an entity, subject to the entity section. All other underwriting requirements must be met. See the Matrix for LTV/FICO/Loan Amount requirements An IRS form W-8BEN, Certificate of Foreign Status must be filed with the IRS (all Applicants). A copy of the Certificate must be retained in the file. See the Foreign Nationals Section of these guidelines for program requirement. POAs are not allowed
9.3.4 Ineligible Borrower(s)	➢ Employees of Hometown Equity Mortgage or any of it's affiliates ➢ Irrevocable trust ➢ Individuals possessing diplomatic immunity or otherwise excluded from U.S. jurisdiction ➢ Any material parties to the transaction listed on HUDs Limited Denial of Participation List (LDP) or the OIG List of Excluded Individuals and Entities (LEIE).
9.3.5 Experienced Investors	• An experienced investor has a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years.

Chapter 10: Credit

10.1 Tradeline Requirements	If a borrower has 3 FICO scores, the tradeline requirement is considered to have been met. Any borrower who does not have 3 FICO scores must meet the tradeline requirement Minimum Tradelines: ➢ The borrower must have at least 2 tradelines on the credit report ➢ The credit history must cover at least 24 months ➢ At least one tradeline must be seasoned for 24 months To qualify as a valid tradeline: ➢ The credit line must be reflected on the borrower's credit report ➢ Tradelines used to qualify may not exceed 0x60x12 ➢ An acceptable housing history not reporting on credit may be used as a tradeline on a case-by-case basis ➢ Student loans can be utilized as long as they are not deferred and are in repayment ➢ Must be open and active Examples of invalid tradelines: ➢ Collection accounts ➢ Authorized user accounts ➢ Credit lines where the borrower is not obligated to make payments
10.1.1 Limited Tradelines	For borrowers who do not have 3 FICO scores credit score and do not meet the tradeline requirements in section <u>10.1 Tradeline Requirements</u> are not eligible for the NONI program unless the can meet the Alternate Tradeline Requirement Alternate tradelines A borrower who does not meet one or more of the requirements for a 24 month history, 24 month seasoned trade line, or active trade line in the last 6 months: ○ Provide one additional trade line showing 0x30x12. One of the trade lines on credit or the alternative must be a housing line showing 0x30x12, or ○ Provide two additional trade lines showing 0x30x12

10.2 Credit Inquiries	Borrowers are obligated to notify Hometown Equity Mortgage of any new extension(s) of credit that takes place from the time of loan application through consummation.
10.3 Credit Requirements	A U.S. credit report is required for each borrower on the loan using a valid SSN. The credit report should provide merged credit information from the three major bureaus. A report for any applicant containing only two bureaus is acceptable to the extent there is no further information available.
10.4 Credit Score Used for Underwriting	Use the highest middle score for all borrowers on the file. If only two scores are available, utilize the lower of the two scores. If only one score, use that score.
10.5 Undisclosed Debt	The borrower is obligated to inform us of any new debt they incur on any outstanding obligation that may affect the subject property

10.6 Housing History	Housing history for the NONI is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. Housing History • Any housing event 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 reporting to the credit bureau, additional housing history is not required. • See 10.6.1 No Housing History for additional requirements • A free and clear property with 12 months of ownership will satisfy the housing history requirement Mortgage and rental payments not reflected on the credit report must be documented via a standard VOM, VOR or credit supplement. • A private party VOM or VOR is acceptable for verification of mortgage or rent history o Alternative documentation is also acceptable (see below). Alternative documentation must show the most recent 12-month history and may be in the form of cancelled checks, bank statements, mortgage/rental statements, etc. Borrower mortgage and/or rental history may reflect late payments (see Matrix) provided. • All housing late payments must be cured at the time of application and remain paid as agreed through closing. • Rolling late payments are not considered a single event.
10.6.1 No Housing History	No Primary housing history is acceptable if: ➢ The borrower lives in a marital home that is owned or leased by the spouse, the mortgage or rent on the martial home must be current as evidence by a minimum of a 12-month rating ➢ Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free ➢ It is acceptable to live rent free for experienced investor who currently owns rental property
10.7 Consumer Credit	Implication of consumer credit are reflected in the borrowers FICO score

10.8 Consumer Credit Charge-offs & Collections	Charge-offs and collections can be ignored unless they are title impacted.
10.9 Disputed Accounts	When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved. • If the disputed account balance is $250 or less, the payment can be included in the total debt calculation and the account can remain in dispute. • The total aggregate balance of accounts in dispute remaining unresolved can't exceed $2,000.
10.10 Credit Counseling	Applicants may have elected to participate in credit counseling sessions, whether and completion of the sessions before closing is not relevant. The existence of credit counseling in and of itself does not preclude the borrower from financing.
10.11 Judgments or Tax Liens	Any outstanding judgments or tax liens may remain open under the following: ➢ Applicant(s) must be on a repayment plan and have made at least 6 payments ➢ Most recent 3 months payments paid in a timely manner (must be documented) ➢ If the judgement or tax lien is recorded against the property it must be subordinated o The balance must be included in the CLTV If the conditions above are not met, the judgment or tax lien must be paid off prior to or at closing. Cash-out proceeds may not be utilized for this purpose unless the debt is business related.

10.12 Bankruptcy	Recent bankruptcies are allowed. ➢ All bankruptcies must be settled at the time of application ➢ Evidence of bankruptcy resolution is required ➢ Seasoning is measured from the discharge/dismissal date to the note date. ➢ All bankruptcies must be discharged or dismissed for a minimum of 36 months from closing date. **No multiple housing events (FC, BK, SS/DIL) in the last seven years**
10.13 Foreclosure	➢ Seasoning of a foreclosure is measured from the settlement date (final property transfer) to the note date. ➢ Foreclosure must be seasoned for a minimum of 36 months from closing date. [See matrix for details] **No multiple housing events (FC, BK, SS/DIL) in the last seven years**
10.14 Short Sale/ Deed-in-Lieu	➢ Seasoning of a short sale or deed-in lieu is measured from the settlement date (sale or final property transfer) to the note date ➢ SS/DIL must be seasoned for a minimum of 36 months from closing date. [See matrix for details] **No multiple housing events (FC, BK, SS/DIL) in the last seven years**
10.15 Forbearance or Modification	All mortgages in forbearance or modification must be completed prior to funding. The borrower may not have any mortgages currently in forbearance or modifications in trial payment periods. Forbearance or loan modification resulting in any of the attributes below is subject to seasoning of 36 months: ➢ Forgiveness of a portion of principal and/or interest on either the first or second mortgage ➢ Application of principal curtailment by or on behalf of the investor to simulate principal forgiveness ➢ Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage ➢ Conversion of any portion of the original mortgage debt from secured to unsecured A letter of explanation from the borrower addressing the situation that made forbearance or modification necessary and that the situation requiring the forbearance or modification has passed.
10.16 1x120	1x120 (or worse) on any mortgage must meet the 36-month seasoning requirement

Chapter 11: Liabilities

11.1 Overview	Liability assessments and payments are not applicable to the NONI program. Debt ratios are not calculated.

Chapter 12: Assets

12.1 Documenting Assets	Asset documentation is required to evidence funds to cover down payment and other related closing costs as well as satisfy reserve requirements (if applicable). Assets and reserves should be calculated and documented per Fannie Guidelines unless otherwise specified in these guides.
12.1.1 Asset Document Validation	All bank statements used to verify assets used for income, down payment, closing costs, and reserves require validation through a third-party service provider.
12.2 Reserves	Reserves include cash and other assets that are easily convertible into cash by the borrower. Required reserves are published on the [matrices], are calculated utilizing the qualifying payment and are measured by the number of months of housing expense that an applicant could pay using their financial assets. Cash-out from the subject transaction may be used toward the reserve requirement. For loans with an IO (interest only) feature, reserves are based on the ITIA payment. Reserves must be sourced and documented per Fannie Mae requirements.
12.3 Down Payment	Down payment funds should be seasoned 60 days or sourced and documented using the methodology described in the Fannie Mae Sellers Guide B3-4.2-01: Verification of Deposits & Assets. Generally, all earnest money deposits must be fully documented including the source of the down-payment from the applicant(s) account(s) and the evidence of the transfer to the closing agent. Gift Funds may be utilized towards down payment requirements. See Gift Funds for restrictions. If Hometown Equity Mortgage determines that the source of down payment is another extension of credit, Hometown Equity Mortgage will consider this simultaneous secondary financing.

12.4 Depository Accounts	Funds held in a checking, savings or other depository account(s) can be used for down payment, closing costs & reserves. Hometown Equity Mortgage will investigate any funds which appear to be borrowed such as recent large deposits, recently opened accounts or account balances that are significantly larger than the average balance leading up to loan application date. In these instances, Hometown Equity Mortgage will require a written LOE signed by the applicant(s). If any account utilized for down payment, closing costs and/or reserves is coming from an account not held solely by the borrower, all parties on the account must provide a written statement that the borrower has full access to and use of the funds.
12.5 Gift Funds	Gift funds are allowed for paying off debt, equity contribution refinances, down payment and/or closing costs. Gift funds are not allowed to be counted as reserves. A signed gift letter is required, and must provide all of the following: ➢ Dollar amount of gift; and ➢ Donor's name, address, phone number & relationship to the borrower (Acceptable Donors); and ➢ Date funds were transferred or, if not transferred prior to closing must state funds will be sent to the closing agent (acceptable forms: certified check, money order, wire transfer or cashier's check);and ➢ Donor's statement that no repayment is required or expected Enough funds to cover the gift must be verified as either currently in the donor's account or evidence of transfer into the borrower's account. Acceptable forms of documentation: ➢ Copy of donor's check along with borrower's deposit slip or copy of donor's withdrawal slip and the borrower's deposit slip ➢ Copy of donor's check to the closing agent ➢ Evidence of wire transfer from donor to borrower ➢ Settlement statement showing receipt of the donor's check If borrower is utilizing 100% gift funds: ➢ 10% reduction in maximum LTV is required unless the borrower has 5% of their own funds verified. ➢ This restriction applies to purchase transactions only
12.6 Gift of Equity	Gifts of equity are not allowed.

12.7 Assets Held in Foreign Accounts	Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. Funds for down payment and closing may be wired directly to title at closing. Foreign assets for reserves are allowed to remain in foreign accounts. Assets held in foreign accounts must be documented as follows: • Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table • A copy of the most recent statement of that account ➢
12.8 Asset Eligibility	The following provides details of eligible assets and when they can be utilized. Assets not specifically mentioned in this section may be acceptable if pre-approved by Hometown Equity Mortgage.
12.8.1 Business Assets	Business assets may be used for down payment, closing costs or reserves for self-employed borrowers. Borrowers on the loan must have at least 25% ownership of the business and must be owners on the business account being utilized. Ownership percentage will be determined by CPA letter, operating agreement or equivalent. All non-borrowing owners of the business must acknowledge the transaction and confirm the borrower(s) has access to funds in the account by providing a signed and dated letter stating such. To determine the borrower(s) portion of the business assets allowed for the transaction, multiply the balance of the business assets by the cumulative ownership percentage of the borrower(s). Any business funds transferred into the borrower's personal account prior to application date may be utilized without restriction.
12.8.2 Proceeds from a Cash-Out Refi	Cash-out proceeds from the subject property (or non-subject property) refinance may be used for closing costs or to pay down or pay off business debt(s). Cash-out may also be used as reserves for all NONI Options.

12.8.3 Earnest Money Deposit (EMD)	If an EMD is needed, it must be verified that the funds are from an acceptable source. Any of the following is acceptable documentation: • Copy of the borrower's cancelled check • Certification from the deposit holder acknowledging receipt of funds • Bank statement or VOD showing the average balance was sufficient to cover the amount of EMD If the funds have not cleared, a copy of the check may be obtained along with a certification verifying with the bank the date the check cleared, the dollar amount of the check and the name of the individual providing the information.
12.8.4 Proceeds from the Sale of Real Estate	Proceeds from the sale of real estate is an acceptable source of funds for down payment closing costs and/or reserves. The closing of the non-subject transaction must be simultaneous with the subject closing (or take place prior to). The net proceeds to the borrower must be verified via a settlement statement or equivalent documentation.
12.8.5 Certificate of Deposit (CD)	CDs are an acceptable source of funds for down payment, closing costs and/or reserves. The funds must be U.S. Dollar deposits in U.S. institutions. 100% of the face value of the account may be utilized.
12.8.6 Life Insurance & Annuities	The cash value of a whole life insurance policy or an annuity is an acceptable source for down payment, closing costs and/or reserves. The cash value is 100% of the stated value net of any loan(s). If being utilized for funds to close, the liquidation must be documented.
12.8.7 Borrowed Funds	Borrowed funds from a secured loan may be used as a source of funds for down payment, closing costs and/or reserves as long as: ➢ The borrower already owns the asset securing the loan (retirement account, CDs, etc.)
12.8.7 Borrowed Funds (cont)	➢ The terms of repayment and the secured nature of the loan must be documented via a copy of the note ➢ The value of the remaining assets must be reduced by the amount of the secured loan balance

12.8.8 Marketable Securities	Marketable securities may be used for down payment, closing costs, and/or reserves provided the value can be verified. ➢ Marketable securities must be traded on a major market exchange such as the New York Stock Exchange, NASDAQ, etc. where liquidity and valuation can be easily determined. o 100% of the value of the marketable security can be utilized. ➢ The liquidation of any marketable security needed for down payment or closing costs should be documented along with the new ending balance.
12.8.9 Retirement Accounts	Vested funds from a 401(k), IRA, or other retirement savings account are acceptable as a source of down payment, closing costs and/or reserves. Ownership of the account must be verified as well as the receipt of any funds received from the liquidation of the asset(s) needed for the subject transaction. • If the funds are being utilized for reserves, liquidation is not required. Retirement accounts without withdrawal restrictions may be utilized for reserves. To calculate the amount available, utilize the vested balance less any outstanding loans and funds liquidated at 80% of net value (if borrower is of retirement age) or 70% (if borrower is not of retirement age). **NOTE:** If the retirement account only allows for withdrawal of funds based on the borrower's employment termination, retirement (unless borrower is of retirement age), or death, the vested funds cannot be utilized as reserves.
12.8.10 1031 Exchange	Transactions involving a 1031 exchange must meet the following requirements: • The exchanged property must be identified within 45 days from the date of sale of the previous transaction • All 1031 proceeds of the previous transaction must be controlled by a qualified intermediary (QI), accommodator or facilitator • The QI/accommodator/facilitator of the 1031 Exchange cannot be the taxpayer, a related party or an agent of the taxpayer • All 1031 proceeds must be re-invested in like-kind property within 180 days of the previous transaction • Documentation the QI/accommodator or facilitator, exchange company or attorney is holding the funds must be in the file • If exchange funds are being used as an EMD the taxpayer must sign an assignment of purchase and sale agreement with the QI/accommodator/facilitator prior to disbursement

12.8.11 Trust Funds	Trust account funds are an acceptable source of down payment, closing costs and/or reserves provided the borrower has immediate access to the funds. The following requirements must be met: • Trust agreement must be in the file • A trust manager or trustee must provide written documentation verifying the value of the trust account and the condition(s) under which the borrower has access to the funds and the effect the withdrawal of the funds may have on trust income used to qualify the borrower
12.8.12 Stock Options	Vested stock options are an acceptable source of funds for down payment, closing costs and/or reserves if the options are immediately available to the borrower. The value of the vested stock options should be documented by referencing a statement listing the number and price of the options and comparing that to the current stock price. The resulting gain from exercising the options and the sale of the resulting stock is the value that can be utilized for down payment and closing costs. If the fiduciary of the stock option transaction did not withhold taxes from the net proceeds, Hometown Equity Mortgage must investigate whether or not the borrower will suffer a liquidity event when the taxes become due. If vested stock options are being used for reserves, 70% of the current market value of the options can be utilized. **NOTE:** Non-vested options are not an acceptable source of funds.
12.8.13 Spousal Accounts	Accounts held in the name of a non-borrowing spouse may be used for down payment or closing costs but cannot be used as reserves. Gift letters are required when spousal funds are used.
12.8.14 Transaction Commissions	Borrowers acting as their own Realtor or Loan Officer (not both) may use the commissions earned from the subject transaction towards down payment, closing costs or reserves.
12.8.15 Crypto Currency	Crypto currency is an acceptable source of funds for down payment, closing costs and reserves ➢ All funds needed for closing must be deposited and verified in a domestic commercial bank prior to doc o Copy of the source bank statement is required ➢ Funds for reserves may remain in the crypto currency account and utilized at a rate of 50% of the face value

12.8.16 Ineligible Assets	The following are not acceptable: ➢ Unsecured loans or cash advances (credit card advances, etc.) ➢ Sweat equity ➢ Restricted securities ➢ Cash on hand ➢ Non-marketable securities ➢ Gift/Grant funds which must be repaid ➢ Bridge loans ➢ Section 8 voucher assistance ➢ Down payment assistance programs

Chapter 13: Income

13.1 General Criteria	Income is not required to be verified on the NONI program

13.2 AirDNA Rent Surveys	AIRDNA Rentalizer and Overview reports must meet the following requirements:
	
	• Rentalizer
	  ○ Only allowed for purchase transaction
	  ○ Forecast Period must cover 12 months from the Note date
	  ○ The occupancy rate must be > 60%
	  ○ Must have five (5) comparable properties, all within the same ZIP code
	  ○ Must be similar in size, room count, amenities, availability, and occupancy
	• Overview report
	  ○ Market grade by zip code
	  ○ Must be B or greater
	  ○ Income calculation
	    ▪ Annual revenue / 12
	    ▪

Chapter 14: NONI Options

14.1 Overview	Various forms of documentation are acceptable depending on borrower profile, income type and corresponding NONI Option.
14.2 4506-T	4506-Ts are not required on the NONI Program.
14.3 NONI ≥ 1.0 DSCR Overview	theNONI: Debt Service Coverage Ratio This Option is designed for experienced real estate investors seeking financing for business purposes. Qualification is determined solely based on the Debt Service Coverage Ratio (DSCR). No borrower income or employment is to be included on the loan application. These loans are deemed business purpose and are exempt from ATR, QM and HPML requirements. The program is limited to Investment Properties ONLY, no exceptions. Borrower must acknowledge the loan is intended for “business purposes”. No 4506-T, Tax Transcripts or Tax Returns A First-Time investor is defined as a borrower who has not owned at least one investment property for a minimum of twelve months anytime during the most recent 36 months. A First-Time Investor is allowed with a minimum 640 FICO and a minimum DSCR of 1.0
14.3.1 NONI > 1.0 DSCR Qualification	Income used to qualify is based upon the cash-flow from the subject property. To determine income, utilize the following: **Purchase**: Utilize the market rent survey from the appraisal. • Lease agreements on purchase transactions are not required • Market rents will be used to determine DSCR **Refinance**: If the transaction is a refinance, the appraisal should reflect the subject as being tenant occupied or an LOE should be provided. Income is calculated as the lesser of: ➢ Market rents per the appraisal; or ➢ Actual rents per the appraisal or the lease agreement o Lease agreements must be obtained if the appraisal reflects the subject as tenant occupied If the actual rents are > market rents from the appraisal, actual rents can be utilized if all of the following requirements are met (applies to traditional lease agreements only): ➢ Borrower provided proof of receipt of higher rents for the latest two months prior to loan application (cancelled checks, bk stmts, etc.) ➢ The lease has not expired and has a 12-month term

14.3.1 NONI > 1.0 DSCR Qualification (cont.)	**<u>Short-term Leases</u>:**
	Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation
	
	Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.
	
	Short-Term Rental Income – Purchase and Refinance Transactions:
	• DSCR Calculation:
	    o Monthly gross rents based upon a 12-month average to account for seasonality required.
	    o Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property.
	    o (Gross Rents * .80) divided by PITIA or ITIA for I/O = DSCR.
	• Any of the following methods may be used to determine gross monthly rental income:
	    o A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
	    o An AirDNA report as detailed in Section 13.2
	    o A most recent 12-month rental history statement from the 3rd party rental/management service.
	        ▪ The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The rental income will exclude all vendor or management fees.
	    o The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
	
	<u>NOTE:</u>
	• Lease agreements made to entities are acceptable
	    o The borrower cannot be part of the entity
	
	<u>Qualification</u>:
	For full amortization, use the <u>note rate</u> to calculate the PITIA for use in the DSCR calculation.
	For Interest Only loans, use the note rate to calculate the ITIA for use in the DSCR calculation.
	
	<u>DSCR Calculation</u>:
	The debt service coverage ratio (DSCR) is calculated by taking 100% of the gross rents divided by either the PITIA (full amortization) or the ITIA (interest only) of the subject property **unless otherwise stated above**.
	
	For multiple units:

	Each unit will be reviewed independently using the logic above. For instance, take the 2-unit scenario below: Unit 1: Market rents $2,000 | Lease agreement $1,900 Unit 2: Market rents $1,500 | Lease agreement $1,600 The gross rents (without proof or receiving higher rents) would be $1,900 (unit 1) + $1,500 (unit 2) = $3,400. For theNONI: Debt Service Coverage Ratio the DSCR <u>Must</u> be ≥ 1.00

14.4 NearNONI < 1.0 DSCR Overview	**theNearNONI: Limited Debt Service Coverage Ratio** This Option is designed for experienced real estate investors seeking financing for business purposes. Qualification is determined solely based on the Debt Service Coverage Ratio (DSCR), there is no minimum DSCR. No borrower income or employment is to be included on the loan application. These loans are deemed business purpose and are exempt from ATR, QM and HPML requirements. **The program is limited to Investment Properties ONLY, no exceptions**. Borrower must acknowledge the loan is intended for "business purposes". **No 4506-T, Tax Transcripts or Tax Returns** First Time Investors require a minimum 680 FICO

14.4.1 NearNONI < 1.0 DSCR Qualification

Purchase:
Utilize the market rent survey from the appraisal.

- Lease agreements on purchase transactions are not required
- Market rents will be used to determine DSCR

Refinance:
If the transaction is a refinance, the appraisal should reflect the subject as being tenant occupied or an LOE should be provided. Income is calculated as the lesser of:

- Market rents per the appraisal; or
- Actual rents per the appraisal or the lease agreement
  - Lease agreements must be obtained if the appraisal reflects the subject as tenant occupied

If the actual rents are > market rents from the appraisal, actual rents can be utilized if all of the following requirements are met (applies to traditional lease agreements only):

- Borrower provided proof of receipt of higher rents for the latest two months prior to loan application (cancelled checks, bk stmts, etc.)
- The lease has not expired

Short-term Leases:
Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation

Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

Short-Term Rental Income – Purchase and Refinance Transactions:

- DSCR Calculation:
  - Monthly gross rents based upon a 12-month average to account for seasonality required.
  - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property.
  - (Gross Rents * .80) divided by PITIA or ITIA for I/O = DSCR.
- Any of the following methods may be used to determine gross monthly rental income:
  - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
  - An AirDNA as detailed in Section 13.2
  - A most recent 12-month rental history statement from the 3rd party rental/management service.
    - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The rental income will exclude all vendor or management fees.
  - The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.

14.4.1 NearNONI < 1.0 DSCR Qualification (cont.)	NOTE: • All lease agreements must be made to individuals ○ Leases to entities (Trusts, Corps, LLCs) are by exception only Qualification: For full amortization, use the note rate to calculate the PITIA for use in the DSCR calculation. For Interest Only loans, use the note rate to calculate the ITIA for use in the DSCR calculation. DSCR Calculation: The debt service coverage ratio (DSCR) is calculated by taking 100% of the gross rents divided by either the PITIA (full amortization) or the ITIA (interest only) of the subject property. For multiple units: Each unit will be reviewed independently using the logic above. For instance, take the 2 unit scenario below: Unit 1: Market rents $2,000 | Lease agreement $1,900 Unit 2: Market rents $1,500 | Lease agreement $1,600 The gross rents (without proof or receiving higher rents) would be $1,900 (unit 1) + $1,500 (unit 2) = $3,400. For the NearNONI: Limited Debt Service Coverage Ratio, the DSCR Must still be calculated Occupancy Diligence Review Extra diligence must be done by the underwriter, including verification the borrower owns a primary residence and, if not, great care must be taken to ensure the borrower has no intention of occupying the subject property. Additional documentation, including an LOE, existing lease for borrower's current residence (if renting), etc. may be required to validate the borrower intends to utilize the subject transaction for business purposes.

15.0 Foreign Nationals	Please refer to the Foreign National Matrix for FICO, maximum loan amounts, LTVs and reserve requirements Any documentation provided from an Applicant's home country must be provided in its original language listing that country's currency, as applicable. A certified translation must also be provided.

15.1 Visa Requirements	The following are required as evidence the borrower is in the U.S legally:
	• Copy of the borrowers valid and unexpired passport (including photograph) and
	  ○ Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94, or
	  ○ Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa.
	    ▪ Participating countries can be found at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html The credit file should be documented with a current print-out of the participating countries, with the borrower's country of origin highlighted.
	  ○ Citizens of Canada traveling to the United States do not require a nonimmigrant visa.
	
	▪ A list of nonimmigrant Visa types is located on the U.S. Department of State web site https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html . If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply.
	
	▪ All parties (Borrower's and Seller's) involved on the transaction must be screened through exclusionary lists and must be cleared through OFAC's SND list. A search of Specially Designated Nationals & Blocked Persons list may be completed via US Department of Treasury: http://sdnsearch.ofac.treas.gov/ .
	
	▪ Borrowers from OFAC sanctioned countries are ineligible http://www.treasury.gov/resourcecenter/sanctions/Programs/Pages/Programs.aspx .
	
	▪ Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at: https://2009-2017.state.gov/s/cpr/rls/dpl//index.htm
	
	▪ Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille.
	
	▪ See the following link to determine if the country is part of the Hague Convention:
	  ○ https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-your-document/apostille-requirements.htm
	
	Model Apostille forms can be found on the following link:
	https://www.hcch.net/en/instruments/specialised-sections/apostille
	
	Citizens of Venezuela, Russia and Belarus are ineligible

15.2 Credit Requirements	Foreign national borrowers without qualifying U.S. credit (Including borrowers without a valid Social Security number and borrowers with or without an Individual Tax Identification Number) must provide evidence of one active tradeline.
	
	No derogatory credit history is permitted within the 2-year history under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:
	• Tradelines evidenced via a U.S. credit report; AND/OR
	• Tradelines evidenced via international credit report if a U.S. credit report cannot be produced, or does not provide a sufficient number of tradelines; AND/OR
	• Alternative Tradelines consisting of one of the following:
	    o Bank Reference letter(s) from a verified financial
	    o Utility bill
	    o Insurance
	    o Installment loan
	    o VOR/VOM
	    o Credit Card Statements – minimum of twelve (12) recent credit card statements reflecting a timely payment history.

15.2.1 Credit Score	No US credit score is required unless one is available • Treated as 680 if no score

15.2.2 Credit Events	Bankruptcy, foreclosure, modification, short sale, short pay, deed in lieu, 120+ day mortgage late, pre-foreclosure including Notice of Default or Lis Pendens.
	Seasoning
	• ≥ 36 Months
	    o No Restrictions
	• ≥ 24 to 35 Months
	    o Purchase – 75% Max LTV
	    o Refinance - 70% Max LTV

15.3 Automatic Payment Authorization (ACH)	Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. ▪ Funds must be from a U.S. Bank. ▪ The (ACH) enrollment form must include the bank routing number, account number, and account type.
15.4 Housing History	Housing history is not required

15.5 Assets	Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing. Foreign assets are allowed to remain in foreign accounts on a case-by-case basis only. Documenting Assets Held in Foreign Accounts: • Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table. • A copy of the two (2) most recent statements of that account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required, along with the information to comprise a sixty (60) day chain of funds. • See the assets Documentation section for eligible types and sources of assets • All foreign statements will need to be translated
15.6 Power of Attorneys	Not allowed
15.7 Property Types	• 1-4 unit attached and detached properties • Warrantable Condos • PUDs
16.0 Residential 5-8 Units / 2-8 Unit Mixed Use	Please refer to the matrix for FICO, maximum loan amounts, LTVs and reserve requirements
16.1 Property Income Analysis	• Minimum DSCR >= 1.00 • DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment) • Loan amounts >= $2,000,000 require DSCR >= 1.00 and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater) • Leased - Use lower of Estimated market rent or lease agreement. • Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 units: 2 vacancies on 4+ units on refinances. • Reduce qualifying rents by any management fee reflected on appraisal report • Income from commercial space must not exceed 49% of the total property income. • Short-term rental use/income not eligible
16.2 Borrower Experience	• Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. • First-time investors not eligible.

16.3 Occupancy	• Residential unit(s) not permitted to be owner-occupied. • Commercial unit(s) may be occupied by the borrower’s business.

16.4 Eligible Property	• Residential 5 – 8 Units (Max 2-acres)
	• Mixed use 2 – 8 Units (Residential with Retail/Office)
	    ○ 2-3 Units: Max 1 commercial Unit
	    ○ 4-5 Units: Max 2 commercial Units
	    ○ 6-8 Units: Max 3 commercial Units
	    ○ Commercial space may not exceed 49%
	• Unleased Units – Refinance transaction
	    ○ Maximum 1-unit on 2–3-unit property
	    ○ Maximum 2-units on 4+ unit property

16.5 Property Condition	• No Fair or poor ratings. • No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat) • No health or safety issues (As noted by appraiser, i.e., broken windows, stairs) • No excessive deferred maintenance that could become a health or safety issue for tenants • No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)
16.6 Eligibility Requirements	• Maximum loan term cannot exceed 30-years.
16.6.1 Eligible Tenants	• Neither the Borrower(s) nor the borrower’s immediate family shall at any time occupy the properties. • Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding. • Borrower(s) must attest that all tenants are non-borrower affiliated.

16.7 Lease & Occupancy Requirements

- All units must be residential units that are currently occupied and leased to tenants, except that up to 10% of the units for a loan may be comprised of units which are currently vacant, but in lease-ready condition. Notwithstanding the foregoing, for portfolios of less than 10 units, up to one (1) unit may be vacant in the normal course of lease turnover.
- All properties must be either leased to an eligible tenant or in lease ready condition meaning the properties have been cleaned, no renovations or repairs to the properties are needed and the properties are immediately available to be leased to an eligible tenant.
- Corporate lease agreements are acceptable with lease terms consistent with typical market standards and will be subject to standard market rent verification.
- Lease Agreements that allow Single Room Occupancy (SRO), or boarder leases are not permitted.
- Third-party sale-and-leaseback agreements and contract for deed transactions will not be permitted.
- Leases must be in U.S. dollars.

16.8 Appraisal Requirements

5-8 Units

- A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.
- The following appraisal forms are acceptable:
  - FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties, or
  - A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination

Mixed-Use

- Commercial use limited to retail or office space. Residential or commercial zoning acceptable.
  - General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode)
  - A full interior inspection with photos is required for all units
  - Commercial space must not exceed 49% of the total building area.
  - The sales comparison approach should be used as the appraised value.
- A narrative appraisal is acceptable

16.8.1 Appraisal Exhibits

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Plot plan or survey
- Appraiser qualifications

16.8.2 Property Condition	• No fair or poor ratings • No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat) • No health or safety issues (As noted by appraiser, i.e., broken windows, stairs) • No excessive deferred maintenance that could become a health or safety issue for tenants • No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)
16.8.3 Appraisal Reviews	• A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV • In Pennsylvania and North Carolina, a commercial evaluation product is used instead of the BPO product.
16.9 Appraisal Age	• The appraisal can be no more than 120 days old from the note date. Extensions are not allowed. After 120 days, a new appraisal will be required