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Overview

The DSCR guidelines are designed to help lenders make prudent lending decisions when providing loans to borrowers with limited access to credit. These borrowers often require alternative methods to document their income and may need to present compensating factors to offset risks identified by recent credit events or higher debt-to-income ratios. In all cases, the borrower's ability to repay must be clearly demonstrated.

Loans eligible for sale to Government Sponsored Entities (such as Federal National Mortgage Association ("Fannie Mae" or "FNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") do not qualify for the DSCR program.

Borrowers under the Investor Program must acknowledge that consumer protection laws governing consumer loans, 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.), will not apply to their business-purpose loan.

Program Eligibility

Investor: The DSCR Program is designed for investors (Business Purpose) with alternative approach for qualifications based on cash flow of the property and rental income vs. PITIA (principal, taxes, insurance and association fees). The following loan products are available:

Fully Amortizing

- 30 Year Fixed

Interest-Only

- Minimum FICO 720
- Max LTV/CLTV: Purchase | Rate and Term: 75%, Cash-Out: 70%
- 30 Year Fixed

Interest Only Period:

Available for first 10 years on 30 Year Fixed rate products.

Amortization Period:

30 Years (refer to program matrix for additional requirements)

Qualifying Rate (all doc types):

Qualifying rate will be the Initial Note Rate

Qualifying Payment:

Qualified payment will be the Fully Amortized Payment.

Loan Amounts

- Minimum Loan Amount: \$125,000
- Maximum Loan Amount: \$2,000,000

Minimum FICO

- 680

Maximum LTV/CLTV

See Separate TMS Matrix

Interested Party Contributions (IPC)

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law. The maximum allowed IPC is 3% of the sales price.

Interested 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. A borrower participating in the transaction (i.e., the borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the

borrower's financial reserve 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 referenced above.

Assignment of Purchase Contract

Assignments of the contract to another buyer or company is not allowed.

Escrow | Impound Accounts

Escrows for taxes and insurance are required on all loans with LTVs greater than 80%, unless otherwise specified by applicable state law. Flood insurance is not eligible for escrow/impound waiver.

Secondary Financing

Secondary financing must be institutional, private party secondary financing is not allowed. Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period. No seller carrybacks allowed.

Secondary or subordinate financing is allowed with a maximum CLTV equaling maximum LTV per matrix.

Max CLTV equals Max LTV on loan transaction.

Age of Documents

Appraisals are good for 120 days (180 days with a recertification). All other credit, asset, and income documents are good for 90 days.

Borrower Statement of Occupancy

Borrower must acknowledge that the loan is a business purpose loan by completing and signing the appropriate sections of the “Occupancy Certification” when consummating closing documents.

Borrower Contact Consent Form

To assist the loan servicer in contacting the borrower in a timely manner, the borrower Contact Consent Form must be completed by the borrower when consummating closing documents.

Ability to Repay/Qualified Mortgage Rule

Under the Debt Service Coverage documentation option, property income is used to qualify the transaction. Debt Service Coverage is available to experienced investors purchasing or refinancing investment properties to hold for business purposes. The borrower must sign a Certification of Business Purpose and an Occupancy Certification when consummating closing documents.

State and Federal High-Cost Loans | HPML

High-Cost thresholds and HPML do not apply to Business Purpose loans f.

Prepayment Penalty

Where permitted by applicable laws and regulations, a prepayment charge can be structured to be assessed for between one (1) and up to five (5) years following the execution date of the Note. The prepayment charge will be:

- Equal to 5% of the unpaid principal balance
 - Other than the monthly payments required herein, if the borrower prepays this Note, in whole or in part, before the full term of the pre-payment period, the borrower will pay a Prepayment Premium equal to 5% of any amounts prepaid (“Prepayment Premium”).
- Prepayment penalties are not allowed on loans vested to individuals in the following states:
 - NJ and IL
 -
- Prepayment penalties are not allowed in the following states:
 - AK, KS, MI, MN, NM, OH, MS, PA and RI

Underwriting

All files are manually underwritten.

Interest Credit Closings

Loans closed within the first 7 days of the month may reflect an interest credit to the borrower.

Assumability

Loans are not assumable.

Property Insurance

The insurance company must be authorized by law or licensed by the jurisdiction to transact business within the state where the subject property is located.

The mortgaged property and all improvements thereon must be insured against any loss by fire and other such hazards as are customary in the area where the mortgaged property is located. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Purchase Transactions

At the time of Closing Package submission, the Seller must provide either a hazard insurance binder with a paid receipt for one full year's premium paid in advance, or the final hazard insurance policy, evidencing coverage is paid-in-full and no payment is due.

Refinance Transactions

Refinance transactions do not need to be paid for one full year, but the next premium due date may not occur for at least 90 days from the date of closing.

Upon purchase of the loan, the Seller is required to send a change of loss payee to the insurance company. The Seller must be prepared to provide evidence the request was sent to the insurance company, if requested. An updated hazard insurance policy listing The Money Source Inc., and its successors and/or assigns must be received within 90 days of purchase by TMS.

NOTE: All loans purchased by TMS will be subserviced by Servbank, sb. The Mortgagee Clause should reflect as follows:

Mortgagee Clause
Servbank
ISAOA/ATIMA
P.O. Box 1194
Springfield, OH 45501-1194

Such insurance policy and any other insurance policy related to the mortgage loan, or the mortgaged property must include a standard mortgagee clause naming the Seller and its successors and or assigns as a mortgagee and loss payee. Each mortgage requires the borrower to maintain such insurance at borrower's cost and expense and allows the mortgagee to obtain and maintain such insurance at borrower's cost and expense, and to seek reimbursement from the borrower if the borrower fails to maintain such insurance policy.

Condominiums and attached PUDs require a master or blanket policy covering the project, and a certificate of insurance for each individual unit secured by the loan sold to TMS. If the master or blanket policy maintained by an HOA for the condo project does not cover either the interior of the condo unit or the improvements made by the borrower to the interior of the condo unit, a HO-6 policy is required.

If a HO-6 policy is required, the insurance policy must provide coverage, as determined by the insurer, sufficient to repair the condominium unit to at least its condition prior to a loss claim event.

PUD units covered under the project's blanket policy must be allowed in the Homeowner's Association (HOA) documents and under the blanket insurance policy. The HOA hazard insurance policy must contain the borrower's name and unit number.

In addition, the HOA must maintain a policy which covers the common areas, fixtures, equipment, personal property, and supplies of the project. Premiums with respect to such policies should be considered a common expense of the related project.

Effective Date

The effective date of the policy must be on or before the closing date.

Purchase Transactions

The policy must extend for a minimum of 12 months.

Refinance Transactions

The policy must extend for a minimum of 90 days.

Deductible

Unless state law requires a higher maximum amount, the maximum deductible may not exceed five percent (5%) of the face amount of the policy. The deductible clause may apply to fire coverage, extended coverage, or both. When a policy provides for separate wind-loss deductible (either in the policy itself or in a separate endorsement), the maximum deductible amount may not be more than five percent (5%) of the face amount of the policy or five percent (5%) of a PUD unit's replacement cost if the unit is covered under a blanket insurance policy.

Master Policy Requirement

For attached PUDs and condominiums, a master property insurance must be maintained with premiums paid as a common expense by the HOA. The certificate of insurance policy must contain the borrower's name and unit number. An individual hazard insurance policy is not required for a condominium unit. The lender must verify that the property insurance coverage amount is at least equal to greater of \$1 Million or 100% of the replacement cost value of the project improvements, including common elements and residential structures, as of the current property insurance policy effective date.

Flood Insurance

The Seller must require flood insurance in connection with mortgages where the subject property is located in a community participating in the National Flood Insurance Program and the property is in a special flood hazard area according to the Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM). These areas are designated as zones A, E, or M on FHBM or zones A, AO, AH, A1-30, AE, 99, VO, VI-30, VE, V, E, or M on FIRM. Loans secured by properties in these zones must include flood insurance. If subject property is located in a non-participating community under the NFIP, flood protection through a private insurance carrier can be obtained if the insurer meets Fannie Mae's rating requirements. Flood insurance requirements are waived if the subject property improvements are not in the special flood zone area, even though part of the property (land) may be located in a designated flood zone.

The minimum amount of flood insurance is the lower of 100% of the full replacement cost of the insurable improvements, unpaid principal balance of the mortgage loan, or the maximum insurance available from the National Flood Insurance Program.

Sellers must ensure any statements made by the borrower or Seller in applications for such policies were true, complete, and correct at the time the application was made, and no events have occurred since the policy was issued which would affect the stated coverage of the policy.

For condominium loans, a blanket policy of flood insurance in the name of the HOA must be obtained in accordance with Fannie Mae Guidelines. The amount of coverage must equal 80% of each building, including machinery and equipment that are part of the building(s) and 100% of building contents which are owned in common by all homeowners within the project, or the maximum amount available if the required insurance exceeds the maximum insurance available under the National Flood Insurance Program. Mortgage loans secured by properties in a community in the Emergency Program of the NFIP are not required to maintain coverage in excess of the coverage available through the National Flood Insurance Program. Members of the National Flood Insurance Administration (NFIA) must, in the form of a standard policy, issue flood insurance. If flood insurance is required, the mortgage loan must close with one of the following:

Policy declaration page containing a standard mortgagee clause which must read as described in this Manual. Details of the policy must meet all criteria as described in this Manual.

Complete flood insurance policy containing a standard mortgagee clause which must read as described in this Manual. Details of the policy must meet all criteria as described in this Manual.

Complete application to the NFIP with evidence the first year's policy premium has been paid-in-full (purchase transactions only). Details of the policy must meet all criteria as described in this Manual.

TMS does not consider ACORD forms, a Certificate of Insurance or Evidence of Insurance sufficient proof of flood insurance.

Flood Certificate

Sellers are expected to provide a Life-of-Loan Flood Certificate, preferably from CoreLogic or Service Link. Sellers may utilize any vendor providing life-of-loan coverage. In the event a CoreLogic First American Flood Certificate was used, the TMS service code is 2830983. Files with Life-of-Loan Flood Certificates provided by vendors other than CoreLogic or Service Link will be subject to a \$15 charge.

Earthquake Insurance

Earthquake insurance is required for any property located, or in close proximity to, a structural fault or in a special seismic study zone. If there is no mention made in the appraisal, survey, or title policy regarding earthquake exposure, earthquake insurance is not required. TMS relies on Seller's representations and warranties that, as of the date a mortgage loan has been purchased, the applicable required dwelling insurance has been obtained and the premium for such insurance has been paid-in-full.

Additional Coverage

The following additional coverage is required, as applicable:

Rent Loss

Borrower must maintain rent loss insurance covering a minimum of 6 months of rental figure used to qualify, for all one-to-four (1-4) unit investment properties.

Transaction Types

Eligible Transactions

Purchase

- A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property.
- Loan to Value ratio is based on the lesser of Purchase Price or Appraised Value.

Rate/Term Refinance

- Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate.
- Loan used to acquire the property.
- 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. HELOC must be closed.
- Buying out the Interest of another borrower pursuant to an agreement.
- Properties listed for sale must be taken off the market prior to the Note date.
- Paying off an installment land contract executed more than 12 months from the loan application date.
- 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/CLTV is based upon the current appraised value, no seasoning required.
- If the most recent first mortgage transaction on the property was a cash-out refinance within the last 6 months, the new mortgage is **not** eligible as a rate/term and must proceed as a cash-out refinance. Note date to Note date is used to calculate the 6 months.

Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term refinance.
- A mortgage secured by a property currently owned free and clear is considered cash out.
- The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out.
- Properties listed for sale must be taken off the market prior to Note date.
- Properties listed for sale in the past 3 months are ineligible unless the loan includes a minimum one year prepayment penalty (must provide evidence the property has been taken off the market prior to the Note date)

Cash-Out Seasoning Requirements

- If the subject property was acquired more than 6 months before the application date, the appraised value must be used to determine the loan-to-value ratio. There is no waiting period to use the appraised value if the borrower acquired the property through inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
- If the property was owned by an LLC where the borrower is the majority owner, the time it was held by the LLC can be counted towards meeting the borrower's 6-month ownership requirement.
- If the property was owned by an inter vivos revocable trust, the time held by the trust can be counted towards meeting the borrower's 6-month ownership requirement if the borrower is the primary beneficiary of the trust.
- If the property was acquired 6 months or less before the application date, the lesser of the current appraised value or the previous purchase price, plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.
- A transfer of title does not qualify as a previous purchase transaction; 6 months of seasoning is required from the date of transfer.

Delayed Financing

Borrowers who purchased the subject property within the past 6 months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:

- The original purchase transaction was an arms-length transaction.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property.
- The sources of funds for the purchase transaction are documented.
- New loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan.

Non-Arm's Length

Non-Arm's Length (NAL) transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. TMS allows NAL transactions for the purchase of existing properties unless specifically forbidden for the particular scenario, such as delayed financing.

When the property seller is a corporation, partnership, or any other business entity it must be ensured that the borrower is not an owner of the business entity selling the property.

A NAL transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required as well as the payment history pattern (VOM on the Seller's mortgage for the most recent 12 months).

For Purchase transactions between family members, please note that:

- Gift of Equity is not allowed
- Must provide a 12-month mortgage history on existing mortgage securing subject property confirming Family Sale is not a foreclosure bailout

Purchase between landlord and tenant requires: Lease agreement and up to 12 months payments verified through cancelled checks or bank statements.

Interested Party Transaction

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, loan officer, real estate Broker or agent, or any other interested party involved in the transaction. In such cases, especially with the mortgage broker, loan officer, or real estate broker/agent, extra due diligence is necessary. The relationships among the mortgage broker, title/escrow companies, appraiser, and any other parties involved must be thoroughly examined. A letter of explanation detailing the relationships between the parties is required.

Borrower Eligibility

Residency

Eligible	• U.S. Citizen • Permanent Resident Alien (see requirements that follow)
Ineligible	• Non-Permanent Resident Alien (see requirements that follow) • Applicants possessing diplomatic immunity • Foreign National *See Foreign National Program* • Borrowers from OFAC sanctioned countries • Politically exposed borrowers • Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list or any other exclusionary list. • ITIN borrowers

US Citizen

Eligible without guideline restrictions

Permanent Resident Alien

An individual admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States.

- Acceptable evidence of permanent residency includes the following:
 - Alien Registration Receipt Card I-551 (referred to as a green card/resident alien card).
 - Alien Registration Receipt Card I-551 (referred to as green card/resident alien card) that does not have an expiration date on the back.
 - Alien Registration Receipt Card I-551 (referred to as conditional resident alien card) that has an expiration date on the back and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).

- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “processed for I-551 temporary evidence of lawful admission for permanent residence. valid until [mm-dd-yy] employment authorized.”
- Eligible without guideline restrictions.

Inter Vivos Revocable Trust

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent.

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) 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 must include either:

- The individual establishing the trust (or at least one of the individuals, if two or more)
- An institutional trustee that customarily performs trust functions and authorized to act as trustee under the laws of, the applicable state.

The trustee must have the power to hold the title, and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- If the trust was created under California law, a fully executed Certificate of Trust under Section 18100.5 of the California Probate Code.
- If the trust was created under the laws of a state other than California:
 - Attorney’s Opinion Letter from the borrower’s attorney or Certificate of Trust verifying all of the following:
 - The trust is revocable.
 - The borrower is the settlor of the trust and the beneficiary of the trust.
 - The trust assets may be used as collateral for a loan.
 - The trustee is:
 - Duly qualified under applicable law to serve as the trustee
 - The borrower
 - The settlor
 - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber new assets

Ineligible Borrowers

- Irrevocable Trust | Land Trust | Blind Trust | IRAs
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Any borrower suspended, debarred, or otherwise excluded per the LDP/GSA and/or OFAC/SAM

findings

- Borrowers without a valid social security number

Power of Attorney

Closing documents may be executed with a Specific Power of Attorney (POA) which complies with all applicable laws and agency requirements, provided the following conditions are met:

- The POA can be used for closing documents only and is not acceptable for loan application and/or credit verifications purposes.
- Authorization is for the attorney-in-fact to perform specific functions related to the real estate financing, or it must be specific to the subject property. The attorney-in-fact may not have any direct or indirect financial interest in the transaction. A statement is provided that the POA is in full-force and in effect on the date of the closing of the subject property loan transaction, survives subsequent disability (durable), and has to be revoked in writing, or a specific expiration date is stated which survives the closing date.
- A statement is made of the grantor's (borrower's) name exactly as it will appear on all closing documents. Notarized signature of grantor appears (if executed outside of the U.S., it must be notarized at a U.S. Embassy or military installation).
- The recorder's stamp appears, if previously recorded. The POA must be dated no more than 120 days prior to the loan closing date.
- The attorney-in-fact must execute all closing documents at settlement.
- The Title Company must ensure that the Seller is in first lien position, without exception to the POA.
- The POA must be recorded immediately prior to the closing documents.
- The POA must be legally enforceable in the local/state jurisdiction.

Title Vesting & Ownership

Ownership must be fee simple.

Title must be in the borrower's name at time of application for refinance transactions and on closing date for all transactions.

Eligible forms of vesting are:

- Individuals
- Joint Tenants
- Tenants in Common
- Inter Vivos Revocable Trust

Ineligible forms of vesting are:

- Land Trusts
- Blind Trusts
- IRAs
- Life Estates

Entity Review:

Limited Liability Companies, Partnerships, Corporations and S Corporations (each, an "Entity") in accordance with the listed below:

To vest a loan in an Entity, the following requirements must be met:

- Purpose and activities are limited to ownership and management of real property.
- Any business structure is limited to a maximum of 4 owners or members.
- Entity must be domiciled in a US State.
- Personal guaranties must be provided by members / managers representing at least 50% ownership of the entity. (Example: 4 members each with 25% ownership; at least 2 members would need to be on the loan and sign personal guaranties, 3 members with equal percentage of 33.33%, 2 of the 3 members would need to be on the loan and sign personal guaranties.)
- Each Entity member providing a personal guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member providing a personal guaranty along with their credit score, and creditworthiness will also be used to determine qualification and pricing.

- No broker or loan officer shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.
- Each member of the Entity must receive notice of the loan and its terms prior to closing.
- The following Entity documentation must be provided:

Limited Liability Company (LLC)

- Entity articles of organization or partnership (or equivalent)
- Evidence of good standing (not required for LLCs formed within the last 12 months)
 - Good standing is always required for the state in which the entity was formed (e.g., certificate, screenshot from state website)
 - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., certificate, screenshot from state website)
- Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., operating agreement, certificate of authorization)
 - If not available, a borrowing certificate is required
- Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
- EIN/Tax Identification Number
 - Single member LLC may use EIN or the guarantor social security number
 - Multi-member LLCs require an EIN

Corporation

- Filed Certificate/Articles of Incorporation and all amendments (or equivalent)
- By-Laws and all amendments
- Evidence of good standing (not required for Corps formed within the last 12 months)
 - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
 - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., certificate, screenshot from state website)
- EIN/Tax Identification Number
- Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
- Proof of ownership of all owners (e.g. stock ledger, accountant letter, etc)
- 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
- Evidence of good standing (not required for entities formed within the last 12 months)
 - Good standing is always required for the state in which the entity was formed (e.g., certificate, screenshot from state website)

- If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., certificate, screenshot from state website)
- EIN/Tax Identification Number
- Limited partner consents (where required by partnership agreement).

Documents Required

Documents must be completed and signed as follows:

- Signed as an individual by all members of the Entity:
 - Loan Application (URLA)
 - Completed for each Individual of the Entity.
 - Section labelled “Title will be held in what Name(s)” should be completed with **only** the LLC name.
 - Signed by individuals
 - Personal Guaranty
 - Each individual who is providing a personal guaranty.
 - The guaranty should be executed at loan closing and dated the same date as the Note.
 - Personal guaranties from community property states (AK, AZ, CA, ID, LA NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge.
- Signed by the authorized signer for the entity:
 - Disclosures (Estimated and Final Settlement Statement, Intent to Proceed, Servicing Disclosure, etc.)
 - Any state or federally required settlement statement
 - Note, Deed of Trust/Mortgage and all Riders

Examples of Signature Requirements

[Authorized Signatory] may be replaced by a different title as specified in the Member Consent (e.g., Managing Member, Member, etc.)

Sample 1:

Borrower: Smith Ventures, LLC and John Smith Single Member of LLC: John Smith

Note, Security Instrument & all Riders:

Signature Block

Smith Ventures, LLC a [] limited liability company

John Smith

By: John Smith

Title: [Authorized Signatory]

Sample 2:

Borrower: Smith Ventures, LLC, John Smith, and Nicole Nelson 2 Members of LLC: John Smith and Nicole Jenson

Both Members are Authorized Signatories of LLC

Note, Security Instrument & all Riders:

Signature Block

Smith Ventures, LLC a [] limited liability company

John Smith

By: John Smith

Title: [Authorized Signatory]

and

Smith Ventures, LLC a [] limited liability company

Nicole Jensen

By: Nicole Jensen

Title: [Authorized Signatory]

Credit

Credit Reports

The credit report used to evaluate may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories. If credit is to remain frozen a letter of explanation from the borrower must be supplied as to why the credit will remain frozen and clearly stating they have applied for a mortgage loan through their said Broker.

Credit Inquiries

The lender should examine inquiries to determine whether they represent any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

Housing History

Verification of Mortgage (VOM) or rental payment history is required on all properties owned or rented by the borrower in the past two years. If the history is not reported on the credit report, alternative documentation such as verification of mortgage showing the most recent 24-month history must be provided.

Mortgage Payment History – Forbearance | Modification | Deferrals:

If the previous mortgage payment history shows forbearance, loan modification, or deferrals, lenders must verify that these were completed, and that the borrower has made at least 12 consecutive payments following the completion of the loan modification.

Mortgage Payment History Documentation

If adequate mortgage payment history for all mortgage accounts owned by the borrower is not included in the borrower's credit report, one of the following must be provided to verify the borrower's payment history:

- A standard mortgage verification; **or**
- Loan payment history from the servicer; **or**
- The borrower's cancelled checks for the last 24 months; **or**
- The borrower's year-end mortgage account statement provided the statement includes a payment receipt history, and, if applicable, cancelled checks for the months elapsed since the year-end mortgage account statement was issued.

NOTE: For VOMs where a natural person is the lender of the mortgages, 24 months of recent canceled checks and/or bank statements are required to support the VOM. Additionally, a copy of the original note, along with any riders or subsequent modifications, must be provided to ensure the loan being paid off is current.

Rental Payment History Documentation

The borrower's rental payment history for the most recent 24 months prior to the loan application date must be documented. Acceptable documentation includes:

- Canceled checks, although not always required. Alternatively, the borrower may provide bank statements, copies of money orders, or other reasonable methods to document timely rent payments. The documentation must clearly indicate the payee, the amount paid and show consistent payment.
- Direct verification of rent payments from the landlord. This is acceptable whether the landlord is an individual or a professional management company. For VORs provided by private landlords, 12 months of recent canceled checks and/or bank statements are required to support that payments were made as agreed.

Borrowers with any late rent/mortgage payments within the recent 24 months from the loan application date are **ineligible**.

NOTE: Borrowers who currently rent or live rent free are **ineligible**.

Consumer Credit

Timeshares

Timeshare obligations will be treated as a consumer installment loan.

Consumer Credit Charge-Offs and Collections

- Individual collection and non-mortgage charge-off accounts totaling greater than \$5,000 must be paid in full prior to or at closing. Current disputed accounts are excluded from the \$5,000 limit calculation if the borrower(s) meets minimum reserve requirement and has additional reserves totaling amount of disputed accounts. (Total Minimum Reserves + Disputed Account Balances)
- Medical collections may remain open regardless of amount.
- Second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination based upon the charge off date.

Judgment or Liens

Any outstanding judgments, garnishments, or liens must be paid off prior to or at loan closing.

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

Bankruptcy History

For borrowers with a previous bankruptcy, lenders must verify that at least 7 years (84 months) have passed from the bankruptcy dismissal date to the initial application date.

Foreclosure, Short Sale or Deed in Lieu Seasoning

For borrowers with a previous foreclosure, short sale or deed in lieu; lenders must verify that at least 7 years (84 months) have passed from the foreclosure/shortsale/deed in lieu recording date to the initial application date.

Credit Score

Credit Score Selection:

At least one borrower on the loan must have two reporting credit scores (FICO scores). The lower of the two FICO scores, or the middle score if three are reported, will be the determining FICO score for that borrower. If multiple borrowers have reporting FICO scores, the lowest determining FICO score among all borrowers will be used as the loan's determining credit score.

Tradelines Requirements

Standard Tradelines

Every borrower on the loan must have at least two reporting tradelines covering a 24-month credit history. Borrowers with gaps in their credit history, do not need additional documentation.

The following are not acceptable to be counted as a tradeline:

- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Disputed accounts
- Non-traditional accounts (e.g. utility, cell phone, etc.)
- Charge-offs, collection accounts
- Foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales.

Assets

The following asset types are acceptable: bonds, stocks, checking Accounts, savings Accounts, certificate of deposit, money market, mutual funds, proceeds from sale of another non-real estate or real estate property and trust accounts.

Depository Accounts

Funds held in a checking, savings, money market, certificate of deposit, or other depository accounts may be used for the down payment, closing costs, and financial reserves. The funds must be verified with copies of two consecutive months of bank statements.

All statements must:

- clearly identify the financial institution,
- clearly identify the borrower as the account holder,
- include at least the last four digits of the account number,
- include the time period covered by the statement,
- include all deposits and withdrawal transactions (for depository accounts),
- include all purchase and sale transactions (for financial portfolio accounts), and
- include the ending account balance.

For retirement accounts, most recent statement must be provided, and it must clearly identify the borrower's vested amount and the terms.

Assets held in foreign accounts may not be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. banking institution account in the borrower's name at least 30 days prior to closing with full sourcing of funds and 30-day history. If in foreign language will require translation and currency conversion as applicable.

Business Assets

Business funds may be used for down payment, closing costs, and for the purposes of calculating reserves. The borrower(s)' ownership of the business, if account is in business name only, must be documented.

Business funds used to qualify are calculated based on the borrower's percentage of ownership in the company. For example, if a borrower owns 25% of the business, then only 25% of the available balance of the account would be allowed to qualify. A joint access letter from all owners may be obtained to use 100% of business assets.

Sale of Personal Assets

Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset is not a party to the property sale transaction or the mortgage financing transaction.

The lender must document the following:

- The borrower's ownership of the asset for all asset types that are titled assets, for example automobile title.
- The transfer of ownership of the asset, as documented by a bill of sale.
- The borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, copies of the purchaser's canceled check or an equivalent payment source.

Proceeds from Sale of Another Owned Property

If the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the lender must verify the source of funds by obtaining a copy of the settlement statement on the existing home before, or simultaneously with, the settlement on the new home, showing sufficient net cash proceeds to consummate the purchase of the new home(subject property).

Trust Assets

Assets held in in a Trust require the following:

- Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
- Document the conditions under which the borrower has access to the funds

Reserves

- Minimum of 6 months of PITIA of subject property is required on all loans under \$2,000,000
- Minimum of 9 months of PITIA of subject property is required on all loans \$2,000,000 or greater
- Cash proceeds from cash-out transaction can be included in reserve calculation.

Gift Funds

Gift funds are acceptable for the down payment if the following applies:

- 100% gift funds are allowed for down payment and closing cost.
- Gift funds are allowed but may not be used to meet the reserve requirement.
- Guidelines to be followed for donor relationship to borrower(s), documentation, proof of funds, and evidence of receipt.
 - A gift can be provided by:
 - a relative, defined as the borrower's spouse, child, parents, or grandparents.
 - The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Documentation requirements:

- Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:
 - Specify the dollar amount of the gift.
 - Specify the date the funds were transferred.
 - Include the donor's statement that no repayment is expected; and
 - Indicate the donor's name, address, telephone number, and relationship to the borrower.
- Verifying donor availability of funds or proof the gift funds were transferred.
 - Source of the gift funds must be available in a U.S. based account and in U.S. dollar.
 - **If funds transferred prior to closing into borrower's account:**
 - Sufficient funds to cover the gift must be verified either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes the following:
 - a copy of the donor's check and borrower's deposit slip,
 - a copy of the donor's withdrawal slip and the borrower's deposit slip, a copy of the donor's check to the closing agent, or
 - If transferred directly to closing agent:
 - When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check (i.e., wire confirmation)

Ineligible Assets

- Down payment assistance programs
- Grant funds
- Builder profits
- Employer assistance assets
- Cash advance on credit card
- Cash for which the source cannot be verified (cash on hand)
- Commission from sale of subject property
- Proceeds from an unsecured loan
- Salary advance
- Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
- Unverifiable source of funds
- Margined assets listed within client accounts are not eligible as a source of funds or reserves.
- Stock options and non-vested restricted stock
- Non-vested stock
- Pension fund
- Seller real estate tax credit
- Foreign assets
- IRS 1031 tax exchange not allowed on primary residences or second homes
- Cryptocurrency unless liquidated and deposited into a US bank account

Income

Debt Service Coverage

The Debt Service Coverage documentation option is only allowed on the Investor Program and property income is used to qualify the transaction. Debt Service Coverage is available to experienced investors purchasing or refinancing investment properties to hold for business purposes.

Property Income Analysis:

Gross monthly rents are used to determine the DSCR. The 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions.

Debt Service Coverage Ratio (DSCR)

Interest Only transactions DSCR calculated using ITIA.

Rent Documentation Requirements & DSCR Calculation:

Long Term Rental

Purchase Transactions:

- Monthly gross rent is the lesser of monthly estimated market rent established on FNMA Form 1007 or 1025 or the current rent from the lease agreement.

- Vacant or unleased property is allowed without LTV restrictions.
- Short term rental is not eligible.

Refinance Transactions:

- Required Documentation:
 - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
 - Short term rental is not eligible.
 - Vacant unit is not acceptable.
- Monthly gross rent is the lesser of monthly estimated market rent established on FNMA Form 1007 or 1025 or the current rent from the lease agreement.

DSCR Calculation:

- Debt Service Coverage Ratio (DSCR) is the monthly gross rents divided by the PITIA of the subject property.

Borrower Experience as Landlord:

Experienced Investor

At least one borrower on the loan must own two (2) or more properties for the past 12 months. One (1) property must be an income producing property, either residential or commercial.

Experience can be documented by one of the following:

- Complete the REO schedule on the 1003 loan application, or
- Provide a property profile report, or
- Other 3rd party documentation

First Time Investor

For borrowers that are First-Time Investor (not meeting the Experienced Investor definition), the following must be met:

- Minimum FICO: 680
- Maximum LTV: 75%
- No late housing payments during the most recent 24 months (for subject, primary and all mortgages on credit, if applicable).

NOTE: First time homebuyers are **ineligible**

Property Eligibility

Appraisals

Appraisal Requirements

Full Interior/Exterior appraisal required. Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

- The Appraisal should be dated no more than 120 days prior to the Note date. After a 120-day period, a new appraisal report is required, or 180 days with a recertification of value (1004)
- Transferred appraisals accepted with the following documentation:

- Full color copy of appraisal in a PDF format (inclusive of 1007 rent schedules and or 1004d if applicable)
- The appraisal must have been completed by an Appraisal Management Company (AMC). Appraisal must be less than 120 days old at Note date.

Second Appraisal

A Second Appraisal is required when any of the following conditions exist. When a second appraisal is provided, the transactions “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different appraiser than the first appraisal.

- Loan amount $\geq$ \$2,000,000
- If the appraisal has material deficiencies

Third Party Appraisal Review

A Collateral Desktop Analysis (CDA) is required for loans that do not have a CU score or have a score of 2.5 or higher on the FNMA SSR. A complete copy of the CDA, supporting at least 90% of the appraisal value, must be included in the closed loan package submitted to TMS for loan purchase.

If the CDA produces a value that is more than 10% lower the Appraised Value, the loan will be qualified off the lower CDA valuation.

Minimum Square Footage

- Single Family Residence - minimum 600 square feet
- Condominiums – minimum 500 square feet
- 2-4 Units – minimum 400 square feet per individual unit

Rural Property

A property is classified as rural if **all** the following conditions exists:

- The property is classified as rural by the appraiser
- Two of the three comparable properties are more than 5-miles from the subject property
- Less than 25% of the surrounding area is developed

NOTE: If a property meets the above definition of rural, it is **ineligible**.

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 personal property value for purposes of calculating the LTV/CLTV/HCLTV.

Repair Escrow Holdbacks

Repair escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase.

Ineligible Property Types

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards

- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties including farms, ranches, orchards
- Manufactured, Mobile
- Cooperative share loans
- Boarding houses, bed/breakfast properties, or single room occupancy
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations, Indian Leased Land
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Acreage > 2 acres
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Appraised condition rating of C5, or C6
- Condotels
- Properties under Construction
- Barndominiums
- Rural
- Log Homes
- Mixed-Use

Declining Market

If the appraisal report identifies the property is in a declining market the maximum LTV/CLTV is limited to 5% less than the maximum LTV/CLTV noted on the matrix. The maximum loan amount is limited to \$2M.

Existing Construction

- The construction quality rated on the appraisal must be Q4/C4 or better
- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal “as-is.” These items must be reflected in the appraiser’s opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, a 1004D Final Inspection is required.
- Permanent and Functioning Heat Source – A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketability.

Accessory Units (ADU)

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 with an accessory unit.
 - 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.
- Rental income may be used for the accessory unit subject to the following:
 - Appraisal to reflect zoning compliance is legal
 - Permit is not required to establish zoning compliance
 - Appraisal must include at least one comparable 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 the current lease agreement with two (2) months proof of current receipt
 - Purchase
 - Use the lower of the market rent on FNMA Form 1007 or actual rent.

Leasehold Properties

Properties with leasehold interest are **ineligible**.

Solar Panels/Other

Properties with solar panels or any other items that involve a UCC (Uniform Commercial Code) filing against the property and/or create an easement on the title are **ineligible**.

Limitations on Financed Properties

TMS exposure to a single borrower/entity shall not exceed \$10,000,000 in current UPB

TMS Disaster Policy

The purpose of TMS's Disaster Policy and Procedure is to ensure the collateral, the loan's subject property being purchased by TMS, has not been damaged in a natural disaster. If the property has been damaged, it must be repaired and restored to its pre-disaster condition or better. When a disaster occurs, or an imminent threat is apparent, TMS will publish a list of identified areas and may issue a purchase moratorium (temporarily suspending funding) in those areas. While the Federal Emergency Management Agency (FEMA) is the primary source for this information, it does not always issue declarations immediately following a disaster. Regardless of federal disaster declaration, anyone with knowledge of potentially adverse conditions impacting the subject property should take action to ensure the property meets TMS's requirements for purchase.

The requirements detailed below must be completed for all subject properties located within areas identified as a disaster area by federal agencies such as FEMA, or otherwise identified by TMS, once the purchase moratorium has been lifted.

Warranty

It is the Seller's sole responsibility to be aware of any mortgages loans in a disaster impacted area prior to sale to TMS. By selling the loan to TMS, the Seller warrants the subject property is habitable, is in saleable condition, and there are no repairs or other detrimental conditions to the subject property at the time of the sale.

Requirements

Disaster declarations typically detail an "incident period," the date(s) in which the disaster occurred, and the "Major Disaster Declaration" date, the date in which the incident was officially declared a disaster. The requirements below must be followed 90 days from the incident period end date. or If an incident end date is not clear, TMS will use the date of the Promissory Note to determine the 90-day period.

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.
- The inspection report must include photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase

Appraisals Completed After Disaster Event

- The appraiser must comment on the adverse event and certify that there has been no change in the property's valuation.
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase.

Condominiums

- Warrantable and non-warrantable projects are eligible.
- Condo Hotels (Condotels) are not eligible.

Warrantable Project Criteria

- All loans secured by condominium projects require a completed HOA questionnaire and condominium.
- Commercial space is allowed up to 50% of project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- Investor concentration is allowed up to 60%.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
- Single entity ownership is allowed up to 20% of the project.

- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- Borrower must carry HO-6 coverage for replacement of items such as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.
- Subject unit minimum requirements: minimum 500 square feet, full size kitchen, minimum of one (1) bedroom.
- Special assessment information must be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to make repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that
 - are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; **or**
 - has improvements in need of substantial repairs and rehabilitation including many major components; **or**
 - impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; **or**
 - has critical repairs with one of the following characteristics:
 - mold, water intrusions or potentially damaging leaks to the project's building(s); or
 - unfunded repairs costing more than \$10,000 per unit to be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).

New Projects	Established Projects
• 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners and at least 50% of the units must be owner occupied. • Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete. • Project may be subject to additional phasing. • HOA should be in control - project under developer or builder control will be considered on a case-by case basis only.	• 90% of the total units in the project must be sold and conveyed to the unit owners. • 40% of the total units in the project must be owner occupied. • All phases are complete. • HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed. • All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

Florida Condominium Project Overlays

- The following overlays apply to Florida condos that are three (3) stories or more and (25) years old
- Evidence is required that the building has completed the required inspections outlined in FL SB-4D
 - If the building has not completed the required inspections, it is ineligible for financing
- If the inspection revealed a substantial deterioration and/or any unsafe or dangerous conditions evidenced that the required repairs have been completed is required or the project is ineligible
- Evidence is required that the Association has completed the required structural integrity reserve study, and the budget adequately contains sufficient reserves
 - The monthly HOA fee should be consistent with the budget
- 48 hrs prior to closing the Seller must re-verify that the project has maintained its approved status

TMS Fee List

Admin Fee	\$595
Tax Service Fee	\$80
Life-of-Loan Flood Certificate Fee (if Seller does not provide a CoreLogic/Service Link Life-of-Loan Flood Cert)	\$15