Sequoia DSCR

LTV/CLTV MATRIX

DSCR >= 1.00

Loan Amount	Credit Score	Purchase / Rate & Term	Cash-out
≤ $500,000	640	75%	70%
≤ $1,000,000	720	80%	80%
≤ $1,500,000	700	80%	75%
	660	75%	70%
≤ $2.000,000	700	75%	70%
	660	70%	65%
≤ $2,500,000	700	70%	65%
	660	65%	60%
≤ $3,000,000	720	70%	65%
	700	65%	60%
	660	60%	60%

DSCR >= 0.75 < 1.00

Loan Amount	Credit Score	Purchase / Rate & Term	Cash-out
≤ $2,000,000	660	70%	N/A

* Minimum DSCR is 0.75

Reserves

≤ $1,500,000	3 months
> $1,500,000	6 months
> $2,000,000	9 months
Novice ≤ $2M	6 months

Reserves can come from loan proceeds

	Product	Qualifying Rate	Term	I.O. Term	Index	Caps
Available Products	5/6 ARM	Higher of Fully indexed or Note Rate	360	N/A	30-day avg SOFR	2/1/5
	5/6 ARM I.O.	Higher of Fully indexed or Note Rate	360	120	30-day avg SOFR	2/1/5
	7/6 ARM	Higher of Fully indexed or Note Rate	360	N/A	30-day avg SOFR	5/1/5
	7/6 ARM I.O.	Higher of Fully indexed or Note Rate	360	120	30-day avg SOFR	5/1/5
	15-Year Fixed	Note Rate	180	N/A	N/A	N/A
	30-Year Fixed	Note Rate	360	N/A	N/A	N/A
	40-Year Fixed	Note Rate	480	N/A	N/A	N/A
	30-Year Fixed I.O.	Note Rate	360	120	N/A	N/A
	40-Year Fixed I.O.	Note Rate	480	120	N/A	N/A
Interest Only	Allowed at all LTV's and Credit Scores All loan programs, whether fixed, ARM, or interest only, qualify at initial payment					
Additional ARM Criteria	**Adjustment Reset Period**	**Lookback Period**	**Margin**		**Floor**	
	6-month	45-days	See Rate Sheet		Margin	

TRANSACTION	
Assumability	Not assumable
Prepayment Penalty Options	- 6 months of interest – The PP charge = 6 months of interest on the amount of the prepayment that exceeds 20% of the OPB. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the OPB in a given 12-month time period. 1-, 2-, 3-, 4-, and 5-year term available. - Fixed 5% - The PP charge = 5% and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance. 1-, 2-, 3-, 4-, and 5-year term available - Step Down – The prepayment charge will be assessed on a declining percentage basis over a 5-year period. - Year 1: 5% penalty on the outstanding principal balance - Year 2: 4% penalty on the outstanding principal balance - Year 3: 3% penalty on the outstanding principal balance - Year 4: 2% penalty on the outstanding principal balance - Year 5: 1% penalty on the outstanding principal balance PPP Not Allowed in the following states: - Alaska, DC, Illinois, Maryland, Michigan, Minnesota, Mississppi, New Mexico, Rhode Island, and Vermont PPP Allowed in the following states w/ restrictions: - Colorado: Only available prepay option is Fixed 5% with a maximum of a 3-year term - Indiana - Allowed only on fixed rate loans - Louisiana: Only available prepay option is Step Down - New Jersey: Allowed only if closing in an S Corp or C Corp. Not allowed when vesting in an LLC or LLP - Ohio: Allowed only on 3-4 unit properties - Pennsylvania: Allowed on loan amounts > $329,411 - Washington: Not allowed on a 5/6 ARM
Minimum Loan Amount	- $179,500 for loans in Missouri - $125,000 all others - Loan amounts < $150,000 have a max LTV of 70%
LTV Restrictions	Florida condos max 75% LTV
Entity to Entity Transaction	When both buyer and seller are entities, seller entity docs sufficient to show ownership must be provided in order to determine there is no mutual ownership.
Purchase	Borrower contribution - A minimum 10% borrower contribution is required Interested Party Contributions (IPC) - 6% allowed for all LTVs *Note* : A seller credit with a concurrent sales price increase is allowed; however, the seller credit amount will be deducted from the sales price for LTV purposes.

Rate & Term	- Pay off existing first mortgage and any subordinate loan used for the acquisition of the property
	- Pay off any subordinate loan that was not used for the acquisition of the property when:
	  - Closed end loan with at least 12 months seasoning
	  - HELOC with at least 12 months seasoning and total draws over the past 12 months are less than $5000
	- Buy out of a co-owner pursuant to an agreement
	- Pay off an installment land contract executed more than 12 months from the application date
	
	Important Rate & Term Notes
	- Cash back may not exceed the lesser of 2% or $5000
	- LTV/CLTV based on current appraised value

Cash-Out	Cash out available only on DSCR >= 1 Max Equity Withdrawal > 65% LTV up to $1,000,000 allowed <= 65% LTV unlimited allowed The UPB of an unseasoned 2nd being retired is included in the Max Equity Withdrawal calculation.
Purpose of Cash out	Cash out can only be used for the business purpose of owning rental properties: acquire, manage, and improve real estate. When a borrower is required to pay off a non-subject property related lien, judgment, IRS or state tax obligation, etc., funds from the subject refinance may be used as an accommodation, provided the following are met: - The borrower has documented sufficient liquid assets to cover the obligation in question AND - The purpose of the subject C/O refinance is clear and is an eligible purpose

Cash-out Seasoning and Value Determination	Properties owned 3 months or more are eligible for cash out. Three months ownership seasoning is determined by the acquisition date and our note date.
	
	- Property is owned >= 3 months - use the current appraised value
	- Cash-Out when property is owned < 3 months is only allowed under the following conditions
	  - Borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership
	  - Delayed Financing
	- For properties currently vested in an entity, time in the entity counts towards seasoning provided the borrower(s) are at least 50% owners of the entity

Requirements for Delayed Financing	- Max LTV/CLTV is based on the lower of the current appraised value or purchase price plus documented improvements - Document property was purchased with cash by providing the final closing document for the transaction (ALTA) showing no lender or provide a copy of the mortgage showing a term of 24 months or less - Document source of purchase funds

Recently Listed Properties	RATE & TERM OR CASH OUT Recently listed properties are allowed via exception under the terms listed below. Deviations to the terms listed below are not allowed. Properties listed in the 6 months prior to the application date are subject to the following: - Any active listing must be cancelled prior to docs. Documentation from the appropriate multiple listing service must be provided: emails, LOEs, online searches, etc., are not sufficient - A prepayment penalty (PPP) is required. PPP must be 2-year or max allowed per state law if 2-year is not allowed. In states where PPP is prohibited, the PPP is not required - Value determination for pricing and eligibility will be based on the lesser of the lowest 12 month listed price or the current appraised value - If the transaction is C/O, a 10% LTV reduction from max LTV is required - Vacant property is not allowed. If tenant occupancy is not overwhelmingly evident in the appraisal photos, then the transaction is ineligible. Follow up documentation to prove occupancy will not be reviewed. One vacant unit ok on 3–4-unit properties - Max pricing is par
Non-Arm's Length	An NAL occurs when the borrower has a direct relationship or business affiliation with the builder, developer, or seller. Examples are family sales, employer/employee, business partners, etc. Landlord/Tenant transaction does not in itself create an NAL. If the seller of a property is a business-entity, then it is necessary to confirm that the buyer is not an owner of the seller-entity. A NAL is not intended to bail out a family member, a complete review of the prelim as well as the seller's mortgage payment history may be required. NAL RESTRICTIONS - Maximum LTV is 70% - For-Sale-By-Owner (FSBO) must be arm's length, unless family transaction - Employer to employee sales is not allowed - Property trades between buyer and seller are not allowed - Extra diligence and transaction review must be performed - Underwriter has the discretion to pursue any perceived concerns
Interested Party Transaction	- An IPT occurs when the borrower has an affiliation or relationship with the mortgage broker, loan officer, real estate agent or any other interested party to the transaction, extra due diligence is required when an ITP exists. - The seller's real estate agent may not act as the loan officer for the subject property
LTV Determination	Rate & Term: Use current appraised value Cash-Out - Owned >= 6 months: use current appraised value Cash-Out - Owned (delayed financing) < 6 months: use lesser of acquisition cost or appraised value (see delayed financing)

BORROWERS	
Eligible Borrowers	US Citizens Permanent Resident Alien Non-Permanent Resident Alien
Non-Permanent Resident	Standard - Visa types allowed E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, L-2, NATO, O-1, R-1, TN NAFTA - Visas must be current and have at least 6 months remaining from the close date, if less than 6 months provide evidence that extension has been requested Non-standard Any residency status that meets FNMA guidelines is allowed provided the requirements listed below are met: - Visas/EAD must be current and have at least 6 months remaining from the close date, if less than 6 months provide evidence that extension has been requested - Expired Visa/EAD under auto-extension are acceptable with evidence an extension has been requested - Must have a min of 2 years residency history in the US - Must have a 2-year US credit history and must meet program credit profile, the 2-year history is measured from note date Non-Permanent Resident Alien Not Providing Income The following Visa types, H4, K1, O2 and V1-3, are provided to the spouse of an income-earning Visa holder.
Entity Vesting Requirements	Entity vesting is allowed, a personal guarantee must be signed by the borrower at closing. The following are required - Entity type is LLC or Corporation - Borrower(s) must represent a minimum of 25% of the entity ownership - 4 borrower / 6 member MAX - U.S. domiciled entities only - Purpose of entity must be for real estate acquisition - ACH required Documentation verifying the following must be provided. For LLC: - Verify entity membership with formation docs or other entity documentation - Provide federal licensing entity ID number (EIN) - Show the entity is in good standing For Corporations: - Filed Certificate/Articles of Incorporation and all amendments (or equivalent) - By-Laws and all amendments - Evidence of good standing - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website) - EIN/Tax Identification Number - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
Multiple Properties Owned	No Limit

Ineligible Borrowers	- Irrevocable trust, Land trust, or Blind trust - Foreign Nationals or Borrower with diplomatic immunity - Not for profit entity - Any material parties to the transaction on HUD's Limited Denial of Participation (LDP) or General Services Administration (GSA) or any other exclusionary list - Borrower who is also the Developer/Builder of subject property development for projects of 5 or more units
Ineligible Tenant(s)	Family member or other related individual to borrower
Investor Experience	Experienced Investor A borrower who has owned 1 or more non owner-occupied investment properties for at least 12 months (investment and commercial properties can be included) during the most recent 36-month period. Ownership of OREO may be documented with property profiles or similar. Novice Investor A Novice Investor does not meet the Experienced Investor requirements and are allowed with the following restrictions: - Minimum 680 credit score - Minimum Reserve Requirement is 6 months for loan amounts ≤ $2.0M - STR Income only allowed on a refinance transaction - must use actual STR income with a 12-month lookback OR - actual income less than 12-month history supported by an AirDNA report - 100% estimated STR rent is not allowed First Time Property Owner (FTHB) Not allowed. Defined as a borrower who has not owned real estate in the most recent 36 months. - Non-spouse or non-domestic partner co-borrowers who are FTHB are not allowed. - A borrower who is FTHB whose primary residence is owned by a spouse or domestic partner is acceptable
Multiple Loans - Same Borrower	Max exposure to Newfi Lending for a single borrower is - DSCR >= 1.0 : 10 loans or $5,000,000 UPB - DSCR >=0.80 < 1.0 : 2 loans or $3,000,000 UPB The max exposure rule is not automatic. The loans must not be secured to properties in the same micro-geographic area, for example, same block, subdivision, PUD project, or condo project. The files will also be screened for other risk attributes like cash out transaction, high LTV, STR income, negative credit profiles, and borrower liquidity.
Automatic Payment Authorization (ACH)	Automatic Payment Authorization is an option borrowers may select. An executed Automatic Payment Authorization (ACH) Form is required and must be provided with signed closing docs. Funds must be from a U.S. Bank. The (ACH) enrollment form must include the bank routing number, account number, and account type. Please note ACH is required on all transactions vesting in an entity

CREDIT	
Credit Score	Refer to Matrices for eligibility When multiple borrowers apply, the lowest middle score is the qualifying credit score
Age of Credit Docs	Appraisal and title valid for 120-days from note date Appraisal recerts allowed, valid for 120-days Credit and Assets valid for 120-days from note date Crypto based account documents valid for 60 days
Fraud Check	Newfi Lending will pull a fraud report, DataVerify DRIVE Report, on all loans and it will include all parties to the transaction. Newfi is responsible for clearing findings on the fraud report.
Mortgage / Rental Verification	INSTITUTIONAL LENDER/ LANDLORD Payment history may be documented as follows: - 12 months mortgage payment history on the credit report OR - 12 months canceled checks/bank statements OR - Verification of Mortgage (VOM)/ Verification of Rent (VOR) NON-INSTITUTIONAL LENDER/ LANDLORD - Payments must be verified with either canceled checks or bank statements AND - A copy of the note or lease is required to verify payment amount and due date
Collections & Charge Offs	Need not be paid or addressed unless the collection / charge-off impacts title
Judgements or Liens	All open judgments, garnishments and liens must be paid at or prior to closing - Cannot be paid with loan proceeds unless specifically tied to subject property - See use of refinance funds in Cash Out Section.
Income Tax Liens	All state, federal, and local liens must be paid and removed from title at closing or sooner - Cannot be paid with loan proceeds unless specifically tied to subject property, for example: - Delinquent Real Estate Tax Lien - Mechanics Lien related to work done on subject property - See use of refinance funds in Cash Out Section.

Forbearance	- Borrowers who entered forbearance but continued to make timely payments and remained employed without income disruption, are eligible without any other requirements - Borrowers who participated in forbearance and missed payments have two options: 1. Pay loan current by making all missed payments from borrower verified funds OR 2. Make three monthly payments in lender modification plan after exiting forbearance - Third payment must be made prior to note date - Evidence the borrower has exited forbearance or entered the modification plan is required - This can typically be determined from the monthly statement or lender modification agreement or correspondence; however, any definitive means is acceptable If either of the two options are met, there are no other restrictions. Modifications or deferred balances resulting from Covid-19 forbearance are not considered as housing events
Tradelines / Credit Review	If the borrower has 3 credit scores, the minimum tradeline requirement is met. If the borrower has only 2 scores, one of the 3 options listed below must be met. **Note: if the credit scores are derived from thin credit, for example authorized user accounts or new accounts with minimal usage, the borrower will need to qualify with one of the three options below. All borrowers need to meet either the 3-credit score threshold or meet 1 of the minimum tradeline requirements listed below. 1. 3 of 12: At least 3 tradelines reporting for a minimum of 12 months, with all 3 having activity in the last 12 months, accounts can be open or closed 2. 2 for 24: At least 2 tradelines reporting for a minimum of 24 months, with both having activity in the last 12 months, accounts can be open or closed 3. 8 for 8: No fewer than 8 tradelines are reporting, 1 of which must be a mortgage or a rental history - At least 1 tradeline has been open and reporting for a minimum of 12 months - The borrower has an established credit history for at least 8 years Acceptable verification of mortgage or rent payments not listed on the credit report can be counted in the 3 tradeline options above. The following may not be considered as tradelines: - Non-traditional credit or self-reported tradelines - Liabilities in deferment - Accounts discharged through bankruptcy - Authorized user accounts - Charge-offs / Collections / Foreclosures / DIL / Short Sales
Exessive Recent Mortgage Lates	Files where a borrower has recent and excessive mortgage lates which are outside of the most recent 12 months are evaluated case by case for acceptability

Housing History	Waiting period requirements listed below are measured from event date to note date. Event date is the day and month the payment was due. Example: May 1 payment was paid June 6th, event date is May 1.
	
	The mortgage payment history for the primary residence, the subject property on a refinance, and any other mortgage on the credit report are all reviewed with the following restrictions listed below:
	- Max 1X30X12 on mortgages or primary residence rental payments is allowed
	- Max 0X30X12 when either or both of the following are present:
	  - DSCR >=0.80 < 1.00
	  - Credit scores below 660
	
	Note: For the review of mortgages on the credit report which are not attached to the primary residence or the subject property, the review is limited to what's reported on the credit report. No updates, or pay-history post credit report effective date, are required.
	
	Borrowers living "rent free" in a home they do not own or rent, must provide supporting documentation: property profile and LOE from the owner or lessee

Missed Balloon or Short Term Note	A refinance transaction where the existing mortgage is beyond its due date can be acceptable provided the following are all met: - Lender has continued to accept regular payments - Application date is within 90 days of existing mortgage due date - Funded date of our refinance is with 120 days of existing mortgage due date The missed mortgage due date will be treated like a 1X30 for pricing and eligibility
Significant Credit Event Waiting Periods	A 36-month waiting period is required for all of the following: - Foreclosure - Short Sale or Short Refi (Mtg Charge-off) - Deed-in-Lieu (DIL) - Bankruptcy (All) - Modification* *Note: Modifications that were a result of a COVID-19 forbearance plan are acceptable with no restrictions. Simple rate modifications performed by lender or servicer as a portfolio retention plan are acceptable with no restrictions.

ASSETS	
Assets	- 2 months recent statements - Only large deposits from a borrower's business need be addressed. See section on business assets for further guidance. - Foreign assets may be used for down payment and closing costs with the following: - Assets must be verified in USD at current exchange rate http://www.xe.com AND Non vested or restricted stock accounts are not allowed Joint Accounts: Access letters from co-owners are not required provided our borrower is clearly an account owner Trust Accounts: If the trust is not clearly our borrower's, a trust cert must be provided
Funds to Close	If funds to close are in non-cash holdings (stocks, bonds, mutual funds), verification of liquidation is required, however, proof of liquidation is not required if holdings are equal to a minimum of 120% of funds to close.
Business Funds	May be used for down payment and reserves, with the following restrictions: - Business funds may be used up to the borrower's percentage of ownership - If account co-owner is also an owner or purchaser of the subject property, then assets can be used to the combined percentage of ownership - Large deposits into a business account do not need to be addressed
Commission Earned From Transaction	Commission earned by borrower acting as their own realtor is treated like seasoned funds, and may be used for down payment, closing costs or reserves
Crypto Currency	Crypto currency that has been converted to USD is an acceptable source of funds provided the crypto can be acceptably documented. The documentation must reasonably show the acquisition date of the asset and it must show a sufficient history to meet 60-day seasoning requirements. Not all crypto currencies or crypto brokerages will provide for adequate documentation. An abundance of care must be used in reviewing statements provided.
Gift Funds	Allowed with a minimum of a 10% borrower contribution. Gift funds may not be used for reserves Gift donor must be an immediate family member, domestic partner, or fiance. Gift from a cousin is not eligible.
Reserves	All reserve requirements are based on subject property PITI or ITI if applicable If transaction fits 2 categories listed below, only the larger requirement applies Loan proceeds may be used to meet the reserve requirement - Loan amount ≤ $1.5M 3 months PITI required - Loan amount > $1.5M 6 months PITI required - Loan amount > $2M 9 months PITI required - Novice with loan amounts ≤ $2.0M 6 months PITI required

Eligible Sources of Reserves	- IRA and other non-employer related savings plans - Funds in non-cash holdings, stocks, bonds, mutual funds are not required to be discounted - Cash-Out proceeds may be used to meet the reserve requirement - Cash surrender value of life insurance, annuities, etc. - 401k at 50% of account value, no TOW required - Cryptocurrency focused mutual or ETF funds offered by traditional currency based financial products providers like Fidelity, Schwab, etc. At 50% of current value. - Cryptocurrencies Bitcoin and Ethereum held in a Coinbase account. At 25% of current value. Cryptocurrencies and cryptocurrency funds are limited to a combined maximum of 50% of the reserve requirement. Statements for these accounts have a maximum age of 60 days.
Ineligible Source of Reserves	Funds in a 1031 exchange account Gift funds Spousal accounts
INCOME	
DSCR Calculation	- Monthly Gross Income / PITI of the subject property = DSCR Ratio - On Interest only products, the DSCR ratio is calculated using the interest only payment
Documentation Requirements	PURCHASE - Form 1007 rent survey and leases or estopels if existing tenant are staying with the property REFINANCE - Fannie Mae Form 1007 AND existing lease if the appraisal reflects that the property is tenant occupied
Rental Income - Purchase	Long Term Rents (LTR) - Vacant property: use 1007 or 1025 - Existing tenant lease use: - Actual rent which is <= to 110% of the rent survey - Actual rent which is <= to 120% of the rent survey provided 2 months proof of receipt is documented (security plus 1 month rent OK) Lease over 120% will be capped at 120% for DSCR calculation. - New leases procured by the buyer/borrower are not allowed Short Term Rents (STR) - Pricing improvements related to DSCR >= 1.25 are not eligible when using STR income - STR may be used to a max LTV of 75% and on DSCR >= 1.0 only - STR on purchase is available to experienced investors only - STR income can be determined using one of the three methods described below. 80% of the actual or estimated gross receipts will be used to determine the qualifying rental income. The three different income options are as follows: 1. Use of STR listed on the 1007 2. Use of an STR estimate “Rentalizer” from online data provider AirDNA - Market Score or Sub-Market Score - Market or Sub-Market score of 60 or better, OR - Sub-Market Score of 50 or better with Rental Demand or Rental Growth at 60 or higher - Occupancy Rate * Minimum 40% occupancy required. Occupancy under 60% requires a minimum of 9 months reserves 3. Rental data provided by the seller of the property or seller’s property manager

Rental Income - Refi	Long Term Rents (LTR) - Use the lower of estimated market rent from the 1007 or the lease amount. If the lease is higher than the 1007, but within 120%, it may be used with two (2) months proof of rent received. Lease over 120% will be capped at 120% for DSCR calculation - If the current lease has expired, it may be used provided the appraisal shows the property it clearly tenant occupied and the 1007 meets or exceeds the current rent - A new lease within 110% of the 1007 can be used provided the first month rent and security deposit are paper trailed to the borrower's bank account. - A new lease within 120% of the 1007 or a new lease over 120% but capped at 120% for DCSR calculation, may be used provided the first month rent and security deposit are paper trailed to the borrower's bank account and supportive rental comps are provided. A new lease is one where only one month of rent has been collected Short Term Rents (STR) - Pricing improvements related to DSCR >= 1.25 are not eligible when using STR income - STR may be used to a max LTV of 75% and on DSCR >= 1.0 only - Short term rental income permitted with use of a 12-month look back to determine average monthly rents. Annual or monthly statements from Airbnb or similar service required - If the subject has less than twelve-month history the rent may be used for DSCR purposes provided an AirDNA Rentalizer supports the run rate of the actual rents received. The rentalizer will show any seasonal aspects, the underwriter will exercise care in determining a suitable normalized qualifying rent amount. - 80% of the gross rents will be used for qualifying income PROPERTY RECENTLY PLACED IN SERVICE For DSCR >= 1.0 only, property acquired, or placed in service, in the two months prior to the application date, which are vacant due to borrowers updating the property. - For long term rents use the 1007 rents. Property must be documented to be in ready to rent condition and listed for rent. - For short term rents 80% of the estimated gross receipts will be used to determine the qualifying rental income. - STR listed on the 1007 - Use of an STR estimate "Rentalizer" from online data provider AirDNA - Market Score or Sub-Market Score - Market or Sub-Market score of 60 or better, OR - Sub-Market Score of 50 or better with Rental Demand or Rental Growth at 60 or higher - Occupancy Rate - Minimum 40% occupancy required. Occupancy under 60% requires a minimum of 9 months of reserves - Property must be staged for STR and be listed on an STR facilitator site like VRBO or Airbnb
Properties In-between Tenants	A property with a history of long-term tenants but currently vacant can use 1007 rents provided the following are all met; - Borrower has a minimum of 6 months of non-proceeds reserves - The property is documented to have been vacant < 60 days at application date - A 10% reduction in max allowed LTV required - Property must be in rentable or near rentable condition, properties needing rehab are not eligible

APPRAISAL & PROPERTY INFORMATION	
Appraisal Requirements	- Appraisers must meet all industry standards - All appraisals must be performed in accordance with the Uniform Standards of Professional Appraisal Practice and Fannie Mae guidelines - All appraisals must conform to Universal Appraisal Dataset (UAD) requirements - Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value A full interior/exterior report with color photos is required on one of the following forms: Residential single family - Forms 1004 / 70 Small Residential Income Property - Forms 1025 / 72 Condominium - Forms 1073 / 465
Appraisal Age	Appraisal must be dated within 120 days prior to the note date Appraisal recerts are allowed and are good for 120 days, original report age cannot exceed 12 months
Second Appraisal	A second appraisal is required - Loan amounts greater than $2,000,000 - The transaction is a flip (see Property Flipping section) When a second appraisal is required, the value is based on the lower of the 2 values. The second appraisal must be from a different company and appraiser than the first appraisal. The 1007 from the appraisal used for value is the 1007 used for DSCR purposes. However, if a case can be made that the 1007 from the report not used for value is more relevant, then it can be used.
Transferred Appraisals	Transferred appraisals are allowed, if the transaction requires 2 reports, then only 1 can be transferred. Transferred appraisals are subject to internal quality control review, additional conditions or requirements may apply.
Appraisal Review	An appraisal review product is required on every loan unless a second appraisal is obtained, one of the options below is acceptable: - CDA from Clear Capital OR - ValREVIEW from Valligent OR - Collateral Underwriter (CU Score) <= 2.5 OR - A field review or a second appraisal is also acceptable – These must be from a different company and appraiser than the first appraisal. If the CDA/ValREVIEW reflects a value of 10% or less below the appraised value, the appraised value is accepted. If the CDA/ValREVIEW reflects a value of more than 10% below the appraised value, a field review or a second appraisal is required.
Minimum Square Footage	There are no minimum GLA requirements for any of the eligible property types, however, GLA of the subject property must be considered common, must be supported by comparables in the appraisal, and present no market resistance
Declining Property Value	If the trend of property values is downward, a declining market exists and a 5% LTV reduction from the LTV product matrices for LTVs greater than 70%

Property Flipping	A property is considered a flip if either of the following are true: - The purchase price exceeds the seller's acquisition cost by more than 10% if the property was acquired 90 or fewer days prior to the borrower's purchase contract date - The purchase price exceeds the seller's acquisition cost by more than 20% if the property was acquired 91 – 180 days prior to the borrower's purchase contract date If the property is a flip, the following requirements apply: - A second appraisal is required - If the loan is subject to Reg Z, a copy of the second appraisal must be provided to the borrowers in compliance with HPML rules - The second appraisal must be dated prior to the loan consummation date/ note date. - The seller must be the owner of record - Increases in value require commentary from the appraiser as well as recent comparable sales
Eligible Property Type	- Single family -PUD detached or attached -2-4 units -Warrantable condos in Established projects -Non-warrantable condo in Established Projects case-by-case by exception only -Condos in New Projects eligible only with FNMA CPM approval
Accessory Dwelling Units (ADU)	Properties with multiple ADUs are acceptable provided the total unit count does not exceed 4 ADU or multi-ADU need like comps to support value and market acceptance
Acreage	No more than 10 acres
Property Zoning	Zoning designations are determined by the City or County based on the property location, each governing entity has their own unique zoning titles or descriptions. The property's specific zoning will describe, in general, what type of activity is allowed, and the density that is allowed. Regardless of what the zoning designation is for the subject property, the property must meet the 3 requirements listed below. - The current usage of the subject property is residential - Residential must be an allowed usage of the subject property zoning - Residential must be the highest and best use of the subject property, as defined by the appraiser As long as the property passes the 3-question test listed above, the zoning designation is acceptable.

Non-permitted Conversions, ADU, and Additions	Conversions Conversions into living area of non-GLA spaces like garages, sunrooms and porches, for example, are allowed provided the following criteria are met: - Square footage is not counted in GLA (unless appraiser can support using) - Conversions must have been done in a manner that is consistent with the subject property - Appraiser must comment that no health and safety issues are present and that the conversion was done in a workman like manner - Appraiser should provide cost to cure to return the conversion to previous use - Appraiser should comment the conversion is common and accepted by buyers in the subject's market ADU - Properties with an ADU which is described or designated by the appraiser as illegal, not allowed, or non-zoning compliant, are ineligible - ADU described as allowed, legal, or zoning compliant are acceptable - Appraiser must comment that no health and safety issues are present and that the ADU was done in a workman like manner - Appraiser must comment the ADU is common and accepted by buyers in the subject's market Additions Additions for which permits were not required, not available due to property location and age, whose permit status is unknown, or completed without permits, require the following: - Appraiser to confirm addition was done in a manner consistent with the original structure - Count as GLA at appraiser discretion - Appraiser must comment that no health and safety issues are present and that the addition was done in a workman like manner - Appraiser must comment the addition is common and accepted by buyers in the subject's market
Rural Properties	Allowed with a 5% non-cumulative reduction from max allowed LTV. LTR or borrower actual earned STR only - A property is classified as rural if the appraiser designates the property is rural OR - If any 2 of the following are present: - The property is located on a gravel road - 3 comps are more than 5 miles from the subject property - Less than 25% of the surrounding area is developed
Ineligible Properties	- New Condo Projects without CPM approval - Condotels, Timeshares, and Cooperatives - Mixed used properties - Properties not accessible by roads that meet local standards or suitable for year-round occupancy - Agricultural properties, including farms, ranches, or orchards - Boarding houses and Bed & Breakfasts - C5 or C6 condition rating or properties with zoning violations - Unique Properties. For example: Dome, Geodesic, Log or Log style - Group homes, for example, assisted living and drug/alcohol rehab facilities - Leaseholds and Homes on Native American Land - Hawaii properties in Lava Zones 1 and 2 - Manufactured, Mobile homes, Houseboats or vacant land - Fractional ownership i.e.: TIC - Properties used for marijuana cultivation activities

Property Insurance	We follow industry standards unless specifically addressed below. 1-4 UNIT RESIDENTIAL Building Coverage Property coverage must meet one of the three options listed below: 1. 100% of the dwelling replacement cost as determined by the insurer, typically evidenced by an RCE (replacement cost estimator) OR 2. 100% of the loan amount OR 3. Guaranteed replacement cost Roof Coverage - Roof coverage required, however, less than full replacement cost on roof coverage is acceptable Deductibles - Allow for greater than 5% deductible. Maximum of 10% CONDO MASTER Building Coverage Property coverage must meet one of the options listed below: 1. Guaranteed replacement cost coverage or its equivalent OR 2. Extended replacement cost coverage or its equivalent OR 3. A replacement cost value estimate provided by the insurer OR 4. Project's insurance risk appraisal Roof Coverage Roof coverage required, however, less than full replacement cost on roof coverage is acceptable Deductibles - Allow for greater than 5% deductible. Maximum of 10% - A maximum of $50,000 per unit when per unit deductibles are in place INDIVIDUAL UNIT (HO-6) When Required - Interior or improvements are not covered by the master - Master has per unit deductible Coverage - Amount sufficient to cover portions of the interior improvements not covered by the Master - Amount of per unit deductible, if the master has same - Perils: if the master has per unit deductible for specific perils, the unit owners policy must include coverage for that peril - Coverage must be on replacement cost

Warrantable Condos (Established Projects Only)	PROJECT REQUIREMENTS - Project has been created and exists in complete compliance with all applicable local, state and all other regulations and laws - Meets all Fannie Mae insurance requirements - Borrower is required to carry HO-6 if the master insurance does not cover walls-in with betterments and improvements - Project documents do not give a unit owner or any other party priority over the rights of the first mortgage - Annual budget allocation to reserves < 10% allowed with the following: - Appraisal shows no major repairs required AND - A lower annual allocation permitted if the following reserve balance thresholds are met: - 7% to 9.99% requires reserve fund balance of 50% of annual budget - 5% to 6.99% requires reserve fund balance of 75% of annual budget - 3% to 4.99% requires reserve fund balance of 100% of annual budget REVIEW TYPES Any of the following review methods may be used as applicable to the property and transaction STANDARD REVIEW - Limited or Full Project review determined as per Fannie Mae's specific transaction eligibility - Project Questionnaire Addendum is required - Florida condos allowed for limited review to a maximum of 70% LTV / 75% CLTV REVIEW WAIVER - Detached condo units do not require a project review - 2 -10-unit projects do not require a project review CPM WITH FNMA APPROVAL A Condo Project Manager reflecting the project was reviewed and evaluated by FNMA is allowed and will satisfy the review requirement. The CPM certificate must show an unexpired FNMA approval. - Broker to provide initial PDF of CPM approval. Newfi will not pull the initial CPM certification - Just prior to the closing process, Newfi will provide an updated PDF reflecting a date which is no more than 10 calendar days from loan funding date PROJECT QUESTIONNAIRE ADDENDUM - Both full and limited review require a Project Questionnaire Addendum. Newfi form is available, other lender forms can be used if they provide functionally the same content. The purpose of the addendum is to determine the physical condition of the project.
Non Warrantable Condos	The following may be considered via exception on DSCR >= 1.0 only. Exception pricing will be applied below are some but not all of the possible areas for review: - Budget shortfalls - Commercial space greater than 25% - Single owner/entity ownership greater than 20% - Minor litigation - Excess overdue monthly HOA fees *Note* : Non-owner properties no longer subject to investor concentration review.