Correspondent Non-QM Seller Guide

Published 7/10/2023

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EQUAL HOUSING OPPORTUNITY

CHAPTER 1 - DOING BUSINESS WITH VERUS

SECTION 1 - GENERAL INFORMATION (09/07/2021)

Verus Mortgage Capital through this seller Guide is setting forth the loan purchase and underwriting guidelines applicable to each Seller correspondent entity (a "Seller") that submits a residential mortgage loan to Verus for purchase under the Non-QM Loan Program.

The purpose of these underwriting guidelines is to ensure each mortgage loan meets Verus quality standards. A loan meets Verus quality standards if the legal documents, borrower's credit, income documentation, quality of the collateral (property), and compliance with all applicable laws are consistent with the loan program under the guide.

All loans must be manually underwritten in accordance with this guide. Verus does not originate or directly service mortgage loans and acts solely as a secondary market purchaser. Verus does not participate in any credit decision with respect to each mortgage loan it reviews for purchase. By locking a loan with, or submitting a loan to Verus for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit by Verus; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Verus wishes to or actually does purchase, or decline to purchase the loan; and (3) neither Verus, nor any of affiliates and its affiliates' directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller's credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Verus credit philosophy is intrinsic to our acquisition platform and includes a practical application of the guidelines when analyzing a loan for purchase. Our focus is on aligning the interest of the borrower and limiting layered risk through a combination of:

- Verified employment, income, assets, and reserves
- Borrower credit and housing history
- Value of collateral used to secure the loan

Exceptions to published guidelines are considered on a case-by-case basis. Loans requiring an exception are reviewed wholistically taking into account the risk factors noted above. Regardless of exception type, the loan should demonstrate strong compensating factors to support granting an exception. All exception requests must be submitted by the Seller to Verus by completing the required information on the Exception Request screen in LMS Connect. Our decision to grant or reject any exception request is based on our role as a potential investor in any related mortgage loan. This decision is not intended to serve as advice regarding any decision to extend credit.

Verus' decision to purchase or not purchase any mortgage loan will be based on a full credit, compliance and property review conducted by an independent, third-party due diligence firm and legal collateral review by our custodian. Our decision to purchase any mortgage loan will be based on the results of such due diligence review and our own internal policies and procedures.

The Seller and any third-party originator or broker engaged by the Seller must fully comply with all federal, state, and local laws applicable to the origination and sale of mortgage loans ("Applicable Law"). It is the Seller's sole responsibility to ensure that all loans it originates comply with Applicable Law.

The Seller Guide in Chapter 1 and the Mortgage Loan Purchase Agreement, as amended periodically, together govern the business relationship and constitute the entire agreement between Verus and the Seller. Verus may suspend or terminate its relationship with the Seller upon any failure to meet the requirements under this Guide.

1.1.0 - IMPORTANT ADDRESSES, CONTACT INFORMATION AND HOURS OF OPERATION (04/03/2023)

See Verus Contact Form for current phone and contact information.

1.1.1.1 - HOLIDAYS (04/03/2023)

Verus' observes the following federal holidays and the additional date referenced in the below table unless otherwise indicated. On federal holidays, banks and the US Postal service do not operate, and wire transfers are not available.

The federally recognized holidays at the time of publication of this Guide are:

New Year's Day	*Juneteenth*	*Veteran's Day**
Martin Luther King, Jr. Day	*Independence Day*	*Thanksgiving Day*
President's Day	*Labor Day*	*Christmas Day*
Memorial Day	*Columbus Day**	

In addition to the above Federal Holidays Verus will be closed on the following days:
Friday after Thanksgiving

*Verus is open on the indicated federal holidays.

The Lock Desk follows the holiday schedule published by the Securities Industry and Financial Markets Association (SIFMA). In addition to being closed on the above referenced federal holidays, the lock desk will close early based upon the SIFMA holiday schedule, please use this link for the annually updated schedule https://www.sifma.org/resources/general/holiday-schedule/

1.2.0 - SELLER ELIGIBILITY (05/03/2021)

This Eligibility section outlines requirements for becoming a Verus approved Seller and for maintaining that eligibility in Good Standing. Verus has engaged Comergence® to streamline the process. All Sellers with an NMLS license must submit their applications using Comergence®.

1.2.1 - APPROVAL OVERVIEW

Verus Mortgage Capital will review the applicant's information and request for approval to determine eligibility. At the discretion of Verus, eligibility standards may be waived or modified; however, the subsequent enforcement by Verus will not be affected.

To become an approved Seller to Verus Mortgage Capital, the applicant must:

- Subscribe/be set up in Comergence®.
- Receive an invitation initiated by Verus through Comergence®.
- Satisfy all Verus' eligibility requirements.
- Accurately and fully complete all required applications and provide all necessary documentation.
- Execute the applicable Mortgage Loan Purchase Agreement (MLPA), in addition to other agreements, documents, forms or requirements that may be applicable to the approval requested.

1.2.1.1 - COMERGENCE®

Comergence® is an online due diligence screening firm used by Verus. The Comergence® portal makes applying to Verus easier and safer, using an electronic application to streamline the approval process. Comergence® provides a

proprietary combination of background due diligence with ongoing compliance surveillance, all of which makes the entire management process easier, safer, and completely secure for all parties. NMLS registered mortgage loan originator companies can use the streamlined process to apply to Verus easily and securely. Once you are approved by Verus, the profile is kept current and available for easy recertification with Verus.

1.2.1.2 - MINIMUM REQUIREMENTS

All applicants must:

- Be a duly organized, valid entity and in good standing under the laws of the jurisdiction of the organization.
- Possess and maintain all required licenses necessary to conduct business in each jurisdiction in which loans are originated.
- Be in compliance with all applicable Federal, State, and Local regulations and laws.
- Have been actively engaged in residential mortgage lending as a Correspondent Seller for a minimum of two (2) years preceding the submission of an application to become an approved Seller with Verus.
- Have at least five (5) years of substantial residential mortgage lending experience by the company owners or key company decision makers. In cases where the company has not been actively engaged in residential mortgage lending as a Correspondent Seller for at least five (5) years, the company owners or key company decision makers must have at least seven (7) years of substantial residential mortgage lending experience.
- Provide the resumes for the company President, CEO, CFO, COO, Head of Production, Chief Credit Officer or Head of Underwriting, and Head of Secondary Marketing. The experience level for each of these positions must be acceptable to Verus.
- Not have any bankruptcies, foreclosures, or unsatisfied tax liens by the principals within the last four (4) years.
- Have a minimum audited HUD-adjusted net worth of $1,500,000.
- Provide two (2) years of fiscal year-end statements prepared by an independent auditing firm.
- Have Operational Risk Results at an acceptable level.
- Maintain Errors and Omissions (E&O) insurance and a fidelity bond in a form and with an insurance carrier that: (1) is acceptable to Verus, (2) covers investor losses with a minimum coverage of $300,000 for each loss, and (3) has a deductible of no more than $100,000 or 5% of the coverage amount per occurrence. Verus must be named as the loss payee.
- Have an acceptable Quality Control plan in compliance with FNMA, FHLMC, FHA, USDA, and Verus, as applicable. This Quality Control plan and management reports must be maintained in accordance with agency guidelines and provided to Verus upon request.
- Maintain warehouse line(s) of credit or a funding source acceptable to Verus.
- Resolve or satisfactorily explain to Verus any issues arising from the Comergence® review. If the issue cannot be resolved, Verus will determine the materiality of the issue.
- Notify Verus of the compliance tool (e.g., ComplianceEase) and Fraud Tool Manager used by the company.
- Not be listed on any exclusionary lists provided by the GSEs or HUD and must not be under investigation or suspended by any government agency.
- Not to be listed on any public or non-public commercial watch list or database that reports cases of misrepresentation or failure to honor contractual obligations.

1.2.2 - PROCESS FOR APPROVAL

Upon receipt of a Comergence® invitation from Verus, please complete the application process. This will include completing and/or updating the online application, completing a questionnaire, and uploading specific documents as outlined by the Comergence® System.

Sellers will have 60 days to complete the three steps in Comergence®. Upon completion of the application by the seller, Verus will be notified that the application is ready for processing. During the review process, Verus will contact the applicant and discuss any missing items, clarify any questions, and request any additional items needed for review.

The following sections outline the various documents that may be applicable to the application process and can be provided by uploading them in the Comergence® System.

1.2.2.1 - FINANCIALS (04/03/2023)

- Last two (2) years of audited financials.
- Year-to-date (YTD) and most recent month's interim financials: Profit and Loss Statement and Balance Sheet.
- On or after March 31 each year, the Seller must provide audited financials for the previous year. If prior to March 31, unaudited financials may be submitted.

1.2.2.2 - GENERAL LIST OF DOCUMENTS (04/03/2023)

- Legal entity creation documents
- Corporate Organization chart including names of persons in key roles
- Corporate Resolution evidencing signatory authority
- IRS form W-9
- IT Disaster Recovery and Business Continuity Plan
- Current Insurance policies evidencing coverage such as Errors and Omissions (E&O), Fidelity, Directors and Officers Liability (D&O), Professional Liability, Cyber Security and Mortgage Bankers.
- Investor Score cards (most recent available)
- Policies and procedures for approval, on-boarding, and monitoring of brokers/correspondents if applicable.
- Resumes: Executive Management (CEO, CFO, COO, etc.) and Department Heads (e.g., Operations, Secondary, Underwriting, Production, Compliance/QC).
- Wiring Instructions for Warehouse banks providing funding for Non-QM and Jumbo loans including phone number to verify.
- Additional supporting documentation that may be necessary based on responses on the application-questionnaire should be uploaded as part of the optional documents within Comergence®. Examples include, but are not limited to:
  - Operational Policies and Procedures
  - Litigation supporting documentation
  - Explanations to questionnaire responses
  - List of loans held for investment or repurchases
  - Approval Letters (Fannie Mae®, Freddie Mac, Ginnie Mae, FHA, VA, USDA) as applicable
- These documents will be reviewed and assessed for eligibility. Based on review of applicant information provided Verus may request additional documentation.
- Upon final review and decision, the applicant will be notified in writing of the decision, any follow up documentation needed and the contract (MLPA and associated addenda) for final signature.
- After approval, the Seller will be contacted by their Transaction Manager and Sales Partner to schedule a Welcome Call to review programs, processes, policies, systems demonstrations, and necessary contacts within Verus to begin the registration, locking and loan delivery process.
  - During the initial Seller set-up, Sellers will be prompted for a list of users who need access to the Verus portal and website.
  - If sellers use a pricing engine, they will also contact Verus directly for authorization to add seller for pricing information.

1.2.3 - SELLER RESPONSIBILITY

1.2.3.1 - MAINTAINING ELIGIBILITY

Once approved to be a Seller to Verus Mortgage, the Seller must continue to meet the eligibility requirements herein to maintain its eligibility and approval to participate.

1.2.3.2 - NOTIFICATION OF SIGNIFICANT CHANGES

A Seller must provide written notice of any contemplated change in its organization, including copies of any filings with, or approvals from, its regulators, new licenses, as applicable. Verus requires written notice immediately, but no later than seven (7) calendar days, after the finalization of significant changes relating to the Seller that include, but are not limited to:

- Any mergers, consolidations, or reorganizations.
- Any direct or indirect material change in ownership. An indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller.
- Any change in corporate name.
- Any change from a federal charter to a state charter (or vice versa) if the Seller is a savings and loan association (S&L) or a bank.
- A materially adverse change in financial condition.
- Any change in authority evidenced by the Corporate Resolution or in banking relationships, including warehouse lines of credit/wire instructions.
- Any change in Agency approval.
- Any change in fiscal year end-date.
- Any change in management or key personnel or persons who oversee the key Seller departments.
- Use of a new or different fictitious name.
- Any changes to systems, servicer, etc.
- Any change to active and approved Users of Verus specific systems.
- Any changes to warehouse lender relationships or settlement wire instructions.

1.2.3.3 - GOOD STANDING

All approved Sellers must remain in "Good Standing" with Verus to maintain the required eligibility to sell loans. Failure to remain in Good Standing could result in Verus terminating the Agreement with cause.

To remain an approved Seller in Good Standing, the Seller must:

- Actively participate in the products and programs described in the Seller Guide.
- Be in full compliance with all terms of the Agreements and this Seller Guide, which is a contractual document by reference in the Agreements.
- Complete and submit within required timeframes all requested documents as part of the Annual Recertification process.

1.2.3.4 - ANNUAL RECERTIFICATION

Verus consistently monitors the performance of each Seller. In addition to performance monitoring, Verus will perform a comprehensive review of each Seller's financial, industry, credit, and overall performance on an annual basis. Sellers will receive a notification that recertification is due through Comergence® and requesting the submission of an updated application and questionnaire as well as a minimum set of documents.

Within 60 days of the request for Annual Renewal information, the Seller must submit via Comergence® the following documentation:

- Most recent full year Audited financial statements with all appropriate schedules and attachments.
- Current year to date, unaudited financial statements no older than four (4) months.
- Updated/current organization chart.
- Resumes on any new management-position changes since the last approval.
- Copy of the renewal of Fidelity Bond and E&O Insurance.
- Re-confirm active and approved contacts to Verus specific systems.
- Any other additional certifications or information requested by Verus.

Upon completion of the submission through Comergence®, Verus will complete the recertification analysis and provide written confirmation of Seller's recertification result.

1.2.4 - WIRE INSTRUCTIONS (04/03/2023)

Wiring Instructions for each of the Seller's warehouse bank(s) must be on file with Verus and independently verified prior to the purchase of any loan. As these may change during the relationship it is important to provide current/updated information and the sample bailee letter(s) to prevent any delays in future purchases. The following bank information is required.

- Bank Name
- Bank Address
- Bank WIRE Routing number (ABA)
- Bank Account number
- Bank Contact information (i.e., name, phone number, email)

1.3.0 - REPRESENTATIONS, WARRANTIES & COVENANTS

In addition to the Representations, Warranties & Covenants outlined in the MLPA, Verus will publish updates to any required changes through the Seller Guide in this section.

Verus does not originate or directly service mortgage loans and acts solely as a secondary market purchaser. Verus does not participate in any credit decision with respect to each mortgage loan it reviews for purchase. By locking a loan with, or submitting a loan to Verus for purchase, the Seller acknowledges and agrees that: (1) any pre-close or non-delegated purchase eligibility determination is not a decision or recommendation to extend or deny credit; and (2) the Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether Verus wishes to or actually does purchase, or declines to purchase the loan; and (3) neither Verus, nor any of affiliates and its affiliates' directors, officers, employees, agents, or contractors has influenced, or will influence, the Seller's credit decision with respect to the loan to the borrower by indicating whether it will purchase the loan if the Seller originates and closes the loan.

Sellers are always responsible for confirming the accuracy of the information in the system, even when transferring files directly from an outside source. Any discrepancies uncovered in the due diligence process or post-purchase will affect pricing up to and including the repurchase of the sold loan by the Seller, plus any expenses incurred. Please take the time to verify that all information is correct and that all required documentation has been provided. Verus will not be responsible for any errors made by the Seller.

1.3.1 - STATE LICENSING

The Seller must comply with all applicable state license and registration requirements in connection with mortgage loan origination and any other related business activities, which include without limitation:

- Ensuring that each loan officer/originator/broker involved in the origination of loans delivered to Verus is appropriately licensed.
- Maintaining appropriate organizational licensure based on the type and location of the activities it engages in.

1.3.2 - QUALITY CONTROL

Verus applies its Quality Control Policy and Procedures to loans originated by Sellers, and then reports findings as appropriate to Sellers for their use in the prevention of similar occurrences. Verus requires that Sellers have in place and use Quality Control Policies and Procedures and perform regular reviews to ensure the quality of loans submitted to Verus for underwriting and purchase.

If any irregularities or discrepancies are discovered during Verus' routine review, Verus expands the scope of the quality control reviews on the Seller's loans to ensure that all problem areas are identified.

1.3.3 - FAIR LENDING POLICY

Verus strictly complies with all applicable federal, state, and local requirements related to fair lending, including the Equal Credit Opportunity Act and the Fair Housing Act (together, the "Fair Lending Requirements"). Accordingly, in connection with its decision to purchase loans, Verus will not discriminate on any prohibited basis. Verus will also not knowingly purchase loans from Sellers engaged in practices that violate Fair Lending Requirements. To the extent a Seller is found to be engaging in practices that may violate Fair Lending Requirements, Verus may terminate its contractual relationship with such Seller or take any other action that it deems appropriate.

1.3.4 - STATE AND FEDERAL HIGH-COST LOANS

Verus does not purchase loans that are subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA), also known as "federal high cost" mortgages.

Further, with the exception of loans that comply with N.Y. Banking Law § 6-M (New York Subprime), Verus does not purchase mortgage loans that meet the definition of "high cost," "high risk," "covered," "subprime," or any similar designation under state or local law.

1.3.5 - REGULATORY COMPLIANCE

Sellers and any of their sub-servicers will be in compliance with all federal, state, and local laws including without limitation, all statutes, regulations, ordinances, administrative rules, and orders that have the effect of law, and judicial rulings and opinions, that apply to any of their origination, selling, or servicing practices or other business practices and related technology. The Seller must comply with any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth in lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, mortgage insurance cancellation, debt collection,

credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering, terrorist activity, ability to repay, state community and marital property, or the enforcement of any of the terms of the mortgage. Each Seller will establish appropriate facilities and processes for monitoring applicable legal developments and implementing appropriate measures to stay in compliance with applicable law and will be able to demonstrate satisfactory performance of its legal compliance upon Verus' request. The Seller may be required to repurchase a mortgage loan that is in breach of the requirements of this section at any time.

1.3.6 - ABILITY TO REPAY (ATR)

All loans subject to the general ATR underwriting standards (12 C.F.R 1026.43(c)) require a creditor to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan prior to or at consummation. A reasonable, good-faith ATR evaluation must consider the following eight underwriting factors based on available information in the mortgage loan file using reliable third-party records:

- Income or assets used to repay the loan
- Employment status
- Monthly mortgage payment on the subject loan (fully indexed, fully amortizing)
- Monthly payments for any simultaneous loans secured by the subject property
- Monthly payments for property taxes, hazard insurance, HOA fees, or ground rents
- Debts (reported by a credit bureau or disclosed by the consumer), alimony, and child support obligations
- Monthly DTI or residual income
- Credit history

1.3.7 - HOME MORTGAGE DISCLOSURE ACT (HMDA)

The Seller is required to comply with the Home Mortgage Disclosure Act (HMDA), including without limitation all data collection, recordkeeping, and reporting requirements in connection with the Seller's credit decision on each loan file delivered to Verus.

1.3.8 - FEE POLICY

Fees charged by the Seller must be in compliance with all applicable requirements, including those governing permissible fees, maximum fee amounts, timing, and disclosures.

1.3.9 - PREPAYMENT PENALTY (04/25/2022)

Prepayment penalties are only eligible for investment properties under the Non-QM program. Prepayment penalties are not eligible in states that prohibit penalties by state law. Verus also does not recognize penalties in select states where the permitted structure does not provide an economic benefit.

1.3.10 - REPURCHASES

The repurchase price for loans subject to a Repurchase Obligation pursuant to the Mortgage Loan Purchase Agreement (MLPA) shall be as follows, unless otherwise determined by Verus:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, ***plus***
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the repurchase is made, ***plus***

- All expenses, including but not limited to: reasonable fees and expenses of counsel incurred by Verus in enforcing the Seller's obligation to repurchase the loan and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, ***plus***
- The original servicing release premium paid by Verus for the loan, ***plus***
- Any unreimbursed advances of taxes, insurance, or property preservation made by Verus with regard to the loan as of the date of repurchase, ***less***
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

Upon any such repurchase of loans by the Seller, Verus shall endorse the promissory note (without recourse) and shall assign any security interest (without recourse and in recordable form) to the Seller. If the mortgaged property securing the loan has been acquired by Verus by agreement with the owner of record or by foreclosure to mitigate its loss, then the repurchase price pursuant to the Agreement, notwithstanding the amount of Verus' credit bid, shall be:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, ***plus***
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, ***plus***
- All costs and expenses, including but not limited to: fees, costs, and expenses incurred by Verus as owner of the property, reasonable fees and expenses of counsel incurred by Verus in connection with the foreclosure or acquisition and in enforcing the Seller's Repurchase Obligations, and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, ***plus***
- The original servicing release premium paid by Verus with regard to the Loan, ***plus***
- Any unreimbursed advances of taxes, insurance, or property preservation made by Verus with regard to the loan as of the date of repurchase, ***plus***
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller, ***less***
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

If the mortgaged property securing the loan has been sold at foreclosure and purchased by a third party, the amount that the Seller shall pay Verus to fulfill its Repurchase Obligation pursuant to the Agreement is as follows:

- The original purchase price of the loan, less principal reduction since the original purchase of the loan by Verus, ***plus***
- All interest accrued but unpaid on the principal balance of the loan from the paid-to-date of the loan through and including the last day of the month in which the foreclosure sale occurs, ***plus***
- All costs and expenses, including but not limited to: reasonable fees and expenses of counsel, incurred by Verus in enforcing the Seller's Repurchase Obligations and/or resulting from any breaches of the Seller's representations and warranties under this Agreement, ***plus***
- The original servicing release premium paid by Verus for the loan, ***plus***
- Any unreimbursed advances of taxes or insurance made by Verus with regard to the loan as of the date of repurchase, ***plus***
- Interest on the amounts set forth in paragraphs (1) through (5) above at the loan rate from the end of the month in which the foreclosure sale occurred until and including the date of repurchase by the Seller, ***less***
- The net proceeds of the foreclosure sale (sale price minus costs and expenses, including but not limited to reasonable fees and expenses of counsel, incurred by Verus in connection with the foreclosure sale), ***less***
- Any proceeds of mortgage insurance collected by Verus in connection with the loan.

1.3.11 - EARLY PAYMENT DEFAULT (EPD)

Early Payment Default (EPD) loans that become delinquent after the loan sale date to Verus are subject to repurchase by the Seller pursuant to the EPD language in the loan Seller's Mortgage Loan Purchase Agreement.

1.4.0 - COMMITMENT PRICING OVERVIEW (05/03/2021)

The Verus Mortgage Capital Lock Policy outlines the terms by which Sellers can commit loans for purchase to Verus. When Sellers lock a loan with Verus, the interest rate, pricing, and terms are protected through the lock expiration. Sellers are required to deliver a complete closed loan package before the expiration of the rate lock. This includes the three-day right of rescission required on refinance transactions. Any loan that closes or disburses after the expiration date may be subject to a relock at worst-case pricing.

1.4.1 - LOCK POLICY – FLOW DELIVERY (12/12/2022)

Verus offers best efforts locks and provides interest rate protection for the purpose of pricing a mortgage application for the borrowers. Once Sellers lock a loan with Verus, they are obligated to make the best professional effort to close the loan. Once a loan is closed under Verus' best efforts lock program, delivery becomes mandatory.

The Lock Desk hours of operation are:	8:30 am to 5:30 pm (CT)
The Lock Window hours are:	9:00 am to 7:00 pm (CT)
The e-mail address for the Lock Desk is:	LockDesk@verusmc.com
The phone number for the Lock Desk is:	(833) 862-3863 Press 1 for Correspondent, then 2 for Lock Desk

Lock Window Closures: In addition to published Verus holidays, the Verus lock window will be closed on any day in which SIFMA (Securities Industry and Financial Markets) recommends that the bond market be closed. Verus also reserves the right to close the lock window in alignment with any recommended early closes. See https://www.sifma.org/resources/general/holiday-schedule/#US for further information.

Funding Holidays: In addition to the published Verus holidays, fundings will not be available on any day on which the Federal Reserve has declared a bank holiday. See https://www.frbservices.org/about/holiday-schedules for further information.

1.4.1.1 - REGISTRATION, RATE LOCK, AND LOCK CONFIRMATION

Sellers register and lock loans in LMS Connect. Rate locks are priced based on the rates in effect at the time a lock is confirmed. The system displays the confirmed lock, which may be printed or downloaded. Sellers must review the confirmation upon receipt and contact the Lock Desk regarding any discrepancies. All rate locks are borrower and property specific.

A loan may be locked at any point in the loan process. However, we strongly advise that the Seller's loan is locked with Verus after the seller has issued underwriting approval.

See Section 1.4.3.2 - Locking Loans for details regarding locking loans with Verus.

***Note**: Confirmation of a rate lock does not constitute a decision to purchase by Verus. All loans must meet Verus lending criteria and the product matrix eligibility guidelines.*

1.4.1.2 - PIPELINE MANAGEMENT

- Loans which have been registered for 90 days or more and have not been submitted for pre-close or post-close review will be withdrawn.
- Loans that were submitted for a pre-close review 90 – 120 days ago and have not been locked will be reviewed and subject to withdrawal.
- Loans that were submitted for a pre-close review more than 120 days ago and have not been locked will be withdrawn.
- Locked loans which are about to expire are identified in the "expiring soon" section of LMS Connect.
- As an aid for managing pipeline activity, dashboard information can be exported to excel for each view within LMS Connect. See Seller Portal User Guide at https://verusmc.com/resources/
- If loans registered and locked greater than 90 days have funded by the Seller but not delivered to Verus, they may be subject to a pair-off fee.

1.4.1.3 - CANCELLATIONS

Sellers must notify the Verus Lock Desk as soon as possible when a locked loan is canceled along with the reason for cancellation. Failure to maintain an acceptable pull through may impact Seller eligibility.

1.4.1.4 - PREPARING TO CLOSE LOANS

All loans must be registered (pre-close/non-del review only) or locked (all post-close submission) before Verus reviews the file. All loans must have a valid unexpired lock when the closed loan file is delivered for purchase.

1.4.2 - LOCK DESK AND PRICING - FLOW

1.4.2.1 - DAILY PRICING

Rate sheets are distributed daily, generally by 9:00 am Central Time, Monday through Friday. Verus reserves the right to change rates at any time. Rates will be published in the Portal, provided to the various pricing engines, and distributed via email. Each rate sheet will provide the effective date and time.

1.4.2.2 - INTRA-DAY PRICE CHANGES

Verus reserves the right to change pricing without notice at any time, which may also include after-market close re-prices. Verus Secondary Marketing makes its best effort to notify Sellers of new pricing when there is an intra-day price change; however, Sellers will receive the pricing that is effective when loans are locked on the portal. Sellers are responsible for verifying the lock confirmation form as soon as it is received and must contact the Lock Desk immediately if there is a discrepancy. Intra-day price changes will be emailed and published in the system.

1.4.3 - RATE LOCK PROGRAMS - FLOW

Verus offers the Sellers competitive pricing. Specific information regarding rate locks, extensions, and renegotiations is provided as follows:

1.4.3.1 - GENERAL RATE LOCK INFORMATION

General information regarding the available duration of rate locks, cost and length of extensions, adjusters, and all matters related to pricing are found on the daily rate sheet. At the time of writing, Verus offers 30, 45, and 60-day initial locks and 5, 10, 15, 20, and 30-day extensions. Sellers should rely on the most recent rate sheet for all pricing

and rate extension information (or the rate sheet at the time of lock for extensions and worst-case pricing). Information on the rate sheet will take precedence over the information in this Guide.

1.4.3.2 - LOCKING LOANS (07/10/2023)

- Verus maintains a Seller Portal https://verus-lmsconnect.streetsolutions.com/ for locking and delivery of loans for purchase. Rate lock confirmations and "Purchase Advice" details are also accessed through this portal. See Seller Portal User Guide at https://verusmc.com/resources/
- Loans are registered in the Portal by entering data through the user interface or by importing a FNMA 3.2 file to the system. Data required for pricing and locking varies by program and users are prompted to enter the required information. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 75 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing or (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worse-case pricing. If the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.
- Property address changes are only permitted on registrations. Property address changes on locked loans must be made by the Verus Lock Desk.
- Loans Moving Out of Locked Program
  - Prime Ascent Plus
    - Any loan locked under Prime Ascent Plus, subsequently determined to be ineligible under Plus, but eligible for other Verus Programs, or any loan locked under another program but deemed eligible for Prime Ascent Plus, will be subject to worst case pricing. No relock fee will be assessed.
  - All Other Verus Programs
    - Loans locked under all other Verus Programs, subsequently determined to be ineligible for the locked Program, but eligible for other Verus Programs, will be priced based on the initial rate lock date.

1.4.3.3 - RATE EXTENSIONS (05/02/2022)

- Extension fees are posted on the Verus Seller rate sheet.
- Lock extensions are available for active locks. Expired locks may not be extended; they can only be relocked.
- Locks may be extended for 5, 10, 15, 20, or 30 days.
- Two (2) lock extensions may be requested; however, the cumulative lock extension maximum may not exceed 45 days from the initial expiration date. The cumulative lock period including extensions may not exceed 75 days. Loans requiring lock extensions beyond the maximum extension period, or loans requiring cumulative lock periods in excess of 75 days are subject to worse-case pricing, which is defined as the lower of (i) current rate sheet pricing or (ii) the existing lock price. If the existing lock is to be extended, applicable lock extension fees will be applied after the determination of worst-case pricing. If the new rate sheet is the worst price, no lock extension fee needs to be applied for the relock, which will be a 15-day lock, subject to extension fees thereafter.
- Lock extensions are not available for delivered files.

1.4.3.4 - RATE LOCK RENEGOTIATIONS

Only active, unexpired locks are eligible for renegotiations.

- Rate renegotiations are awarded on a case-by-case basis only.

- Renegotiations must be demonstrated to be for the benefit of the borrower only, either by: (1) increasing credit, or (2) reducing the rate.
- Only one (1) lock renegotiation per loan is allowed. Expiration terms are not amended.
- Once a lock has been renegotiated, the delivery becomes mandatory without price improvement.
- The loan must be moving to "Clear to Close" or greater status within 24 hours and must close within 15 days.
- Secondary Marketing approval is required for renegotiation on relocked loans.

1.4.3.5 - RATE RELOCKS

- Any lock that has expired may be relocked for 15 days as follows: The loan is re-priced using worse case pricing described below <u>and</u> charged a 25-basis point relock fee. Any fees, including extension costs, will remain in effect.
- Worse case pricing is determined by comparing the rate sheet from the lock date to the rate sheet from the relock date (current rates).
  - For rate-based programs, worse case pricing is determined by using the rate sheet with the higher base rate.
  - For price-based programs, worse case pricing is determined be using the rate sheet with the lower price.
- The loan will be relocked for 15 days. If additional days are needed, contact the Verus Lock Desk to request an extension. Standard fees will apply.
- Executing a relock is an irreversible transaction and results in mandatory delivery subject to a pair off fee.
- Any lock that has expired or has been cancelled by the Seller is eligible for current market pricing after 45 days.

1.4.3.6 - PAIR-OFF FEES (04/25/2022)

If a pair-off fee must be assessed, the fee will be calculated as the greater of:

- The market difference, or
- An admin fee of 0.25% multiplied by the locked loan amount.

If applicable, any third-party diligence costs incurred by Verus must be reimbursed by the seller.

1.4.3.7 - RATE LOCKS AND DELIVERY (12/12/2022)

- All files must be closed, delivered, and rescission completed by the lock expiration date.
- Locks with weekend or holiday expiration dates expire on the first business day following the stated expiration date; this becomes the effective expiration date.
- If the file is not delivered by the lock expiration date, the loan will be subject to a pricing change.
- The original Note must be received within three (3) business days after the lock expiration date.
- Verus reserves the right to return a closed loan file and its associated collateral at any time for poor quality and/or inconsistency with program guidelines.
- Verus reserves the right to price expired loans outside of the matrix above based on market conditions.
- Verus reserves the right to assess a pair-off fee if a closed loan is not purchased by Verus.
- Verus only purchases non-seasoned loans.
- Verus publishes a maximum price and a minimum price on the daily rate sheets. Loans that price below the minimum are subject to additional price adjustments at Verus' discretion. Contact the lock desk for additional information.
- Sellers will be responsible for clearing all credit, compliance, collateral, or any other due diligence conditions by the earlier of (a) 20 calendar days after the lock expiration date, or (b) 30 calendar days after the date of the initial review results are released via the Verus Seller Portal (the "Cure Period Expiration Date").

- Any loan with open due diligence condition(s) as of the Cure Period Expiration Date will be subject to a 2.5 bp per calendar day reduction in price assessed from the Cure Period Expiration Date up to and including the final cure date. To the extent conditions are not cleared by close of business on the 15th calendar day following the Cure Period Expiration Date, the purchaser may, at its option, reprice the loan to current market or cancel the commitment.

1.4.4 - BULK BIDS PROCESS (04/03/2023)

- Requests for bids on bulk loan packages can be submitted to Verus directly via e-mail at Capmarkets@invictuscp.com. Your account executive can assist with this process.
- Our capital markets team can provide the desired bid tape format if needed.
- Once evaluated, bulk bid pricing will be provided directly by our capital markets team or through your account executive. Call (833) 862-3863 Press 1 for Correspondent, then 2 for Lock Desk.
- When a bid is accepted, the bulk transaction manager will reach out with an e-mail message containing next steps (including but not limited to collateral and file delivery timelines, etc.).
- Seller origination guides are to be reviewed and approved by investor prior to issuance of the trade confirmation.
- Verus conducted credit diligence will begin once the seller uploads imaged credit and closing documents to the Verus system.
  - If the Seller initiates the review with the third-party diligence provider (i.e., Reliance Letter
    - A copy of the statement of work between the seller and third-party diligence provider must be provided upon investor's request.
    - Mortgage loan schedule and the final credit package, including all documents used to clear initial diligence findings/conditions reported during initial review prior to the purchase of the loan.
- Collateral diligence review will be completed upon delivery to custodian. Please reference section 2.1.0 for collateral delivery and shipping instruction form. See Collateral Shipping Instruction Form.
- If the Seller initiates the review with the third-party diligence provider (i.e., Reliance Letter), the third-party diligence provider must include the final credit package upon completion of diligence.
- Generally, all loans in a bulk transaction should be purchased as one settlement. Occasionally it may be necessary to trail fund loans, but VMC limits trail funding to one (1) per bulk transaction.
- When loans have cleared collateral and Credit, they can be approved and submitted for purchase.
- At this point, we will reach out for all information necessary to accommodate the purchase including the current pay history.
- Funds are wired according to the bailee letter direction for each individual loan in the pool.
- We will provide the wire confirmation information once funds have been disbursed.

1.4.5 - LOAN DOCUMENTATION

1.4.5.1 - NOTE AND SECURITY INSTRUMENT FORMS (04/03/2023)

For consumer loan transactions, the current version of the Uniform Residential Loan Application (URLA) should be used. For business purpose loan transactions, the lender may utilize the URLA or similar lender application.

Available Fannie Mae® security instruments, notes, riders/addenda, and special purpose documents can be used for owner-occupied or investment property loan documentation. The Fannie Mae® forms are available at https://singlefamily.fanniemae.com/selling-and-servicing-guide-forms-and-communications. In instances when Fannie Mae® doesn't offer current documentation (e.g., interest only), a document vendor, such as Doc Magic or Ellie Mae (ICE) should be used to obtain forms. The note should reflect a late charge assessment if payment is not received by the 15th day of each month. The late charge should equal the maximum allowed under state law not to exceed 5%.

For business purpose loans (Investment Property Only), Verus offers a business purpose document set consisting of: Note, Loan Agreement, Personal Guaranty, and Prepayment Rider. These documents can be accessed via the Verus website: verusmc.com/correspondent-login/. The use of this business purpose document set or a similar commercial style closing documents is required for cross-collateral loans.

1.4.5.2 - HYBRID CLOSING (04/25/2022)

VMC will purchase loans using a Hybrid closing method. The definition of Hybrid Closing is as follows:

- E-signed documents may be delivered for all documents in the file with the following exceptions:
  - Original wet signed note and associated endorsement/allonge
- The copy of the mortgage/deed of trust can be digitally signed ***provided that the jurisdiction allows for the digital closing and recording***. The digital portion of the closing includes the use of a remote notary service.
- The system used for the remote online notarization must meet the following minimum standards:
  - At least two-factor identity authentication, using a combination of at least two of the following factors:
    - Remote presentation of a government-issued photo ID that has a signature
    - Credential analysis
    - Identity-proofing (i.e., knowledge-based authentication)

If the hybrid closing is used, the collateral submission at the time of post-close submission must include the proof of digital signatures.

VMC cannot purchase loans closed with an Enote and Evault, also known as a full E-Closing.

1.5.0 - LOAN DELIVERY (06/21/2021)

1.5.1 - PRE-CLOSE REVIEWS

Verus does not originate or directly service mortgage loans and acts solely as a secondary market purchaser. Except with respect to non-delegated loans, Verus does not participate in any credit decision regarding the mortgage loans that it reviews for purchase. By locking a loan with or submitting a loan file to Verus for review or purchase, the Seller acknowledges and agrees that: (1) any pre-close purchase eligibility determination made by Verus is not a decision or recommendation to extend or deny credit, and (2) the Seller is the party solely responsible for making any decision to extend credit.

1.5.1.1 - THE NON-DELEGATED PROGRAM

When utilizing non-delegated pre-close eligibility review, the Seller is responsible for identifying a loan product, taking the loan application, providing the required initial disclosures, and collecting the employment, income, asset, and property related documentation. The Seller then submits the "processed" loan file to Verus which underwrites the file for the specific program and identifies any documents or information still needed to complete the loan review. Cross-collateral loans under the DSCR option are not eligible for non-Delegated reviews. During this eligibility review, Verus will not review/determine if the loan complies with federal, state, or local laws, constitutional provisions, regulations, or ordinances. This will be performed as part of the post-closing TPR review process and will require appropriate adjustments by the Seller to meet compliance and salability requirements.

The eligibility findings reached by Verus are dependent upon receiving complete and accurate data, documents and completed conditions from sellers via LMS Connect Registration and Lock and all required loan documentation in the submission package and the final closing package. To complete its eligibility review, Verus requires that the Seller supply all documents listed in the "File Submission Requirements for Non-Delegated Pre-Close Eligibility Review".

Verus will receive loans from the Seller and perform the following Non-Delegated Pre-Close Eligibility Review. The Seller must demonstrate that a processor review has been rendered on the loan at the time of submission to Verus by delivering a complete credit package and, at a minimum, ALL the unexpired documents listed in the Non-Delegated Pre-Close Eligibility Checklist. It is assumed Verus will receive files that meet the minimum file requirements for the submitted loan product/program. If the file does not meet the minimum file requirements the file will be fully reviewed and placed in suspense and the seller issued a list of conditions required to complete a full review. A loan that is suspended will no longer follow the prescribed SLAs for these review types and condition clearing deadlines.

Verus will provide an initial Non-Delegated Eligibility Review Report with a review status and applicable eligibility credit conditions. Sellers are required to satisfy all open eligibility conditions prior to delivery to Verus for post-close purchase.

PRE-CLOSE CREDIT REVIEW

The review will assess and validate that the documentation supplied is sufficient to meet the required criteria under the applicable product/program guidelines according to the submitted loan registration/lock in LMS Connect. The following outlines the processes performed by Verus during the eligibility review.

CREDIT APPLICATION (FNMA FORM 1003)

- The application (FNMA Form 1003) is substantially completed including mailing address if property is investment and phone numbers
- All known borrower-owned properties are disclosed on the Real Estate Owned Section of the form
- Borrowers' employment history is present
- Application reflects borrower assets and liabilities
- Application includes loan terms, occupancy, and reason for any cash out if applicable

CREDIT (08/10/2022)

- A verified credit report or alternative credit history as applicable to loan type is present for each borrower
- All the monthly consumer debt payments for use in the applicable DTI calculation have been disclosed in the file
- Comparison of the credit report against application to ensure that no undisclosed debts exist
- Verify a 3rd party fraud report is present:
  - All parties to the transaction (Borrowers, Sellers, Brokers, Loan Officers, and Real Estate Agents) must be included in the fraud report performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the fraud report from the vendor must be provided in the loan file with all "high" alerts, or "red flags" addressed and/or cleared by the seller (lender).
- Verify payment histories, judgments/collections and bankruptcy and foreclosure timelines meet applicable guidelines for the product/program
- Review for Borrower personal data consistency with the application and loan type
- Determine valid decision score and minimum trade lines
- Confirm housing and mortgage related payment history
- Review Bankruptcy, Foreclosure, Short-sale &/or Deed-In-Lieu dates if provided on the credit report
- Review Forbearance, Modification, or deferral documentation

EMPLOYMENT AND INCOME

- Verify the income used to qualify the loan was calculated in accordance with guidelines for the applicable product/program
- Verify residual income meets minimum requirements of applicable product/program

Note: Documentation verifying employment and income will be deemed acceptable if it is a third-party document as required by applicable product/program guidelines and may include but not be limited to:

- Verbal or Written VOE's
- Pay stubs
- W-2 forms
- Tax returns
- Financial statements, including bank statements, P&L's & CPA letter
- Award letters
- IRS Tax Transcripts (compared to Tax Returns submitted by Borrower(s)

ASSET REVIEW

Documentation verifying assets for down payment, closing costs, prepaid items and reserves may include but not be limited to:

- VODs
- Depository account statements
- Stock or security account statements
- Gift funds
- Settlement statement or other evidence of conveyance and transfer of funds for any sale of assets

HAZARD/FLOOD INSURANCE/TAXES (09/07/2021)

Verify that hazard insurance meets the minimum required amount of coverage in the product/program guidelines

- For condominium properties, confirm that the blanket policy meets the minimum amount of coverage to meet product/program guidelines
- Confirm that the flood certificate is for the correct borrower, property, lender, and loan number and includes a "Life of Loan" certificate
- For properties in a flood zone per the flood certificate, confirm that flood insurance meets product/program guidelines including, the minimum required amount of coverage
- Confirm that the mortgagee clause lists the lender's name and "its successors and assigns"
- Confirm that the premium amount on both the hazard and flood insurance match what was used in the DTI calculations
- Calculating Real Estate Tax Payment
  - Applies to both DTI and DSCR transactions
  - For purchase and construction-related transactions, the Seller must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements. This policy also applies to properties in jurisdictions where a transfer of ownership typically results in a reassessment or revaluation of the property and a corresponding increase in the amount of taxes. For properties located in the state of California 1.25% of the purchase price should be used to determine real estate taxes.
  - For refinance transactions the Seller must base the determination of real estate taxes on no less than the current assessed value

PRELIMINARY TITLE COMMITMENT

- Confirm current vesting (if a purchase, the seller; if a refinance, the borrower) and requested vesting is eligible
- Review for assessments, covenants, conditions, and restrictions
- Review/confirm or condition to ensure HOA lien (super lien) issues have been identified and addressed, have been conditioned for or documented in the file accordingly
- Review/confirm or condition to ensure foreclosures, bankruptcies have been documented in the file accordingly, have been conditioned for or documented in the file accordingly
- Review/confirm or condition to ensure prior mortgage liens, judgment liens including but not limited to state and federal tax liens (including delinquent taxes that are not-liens), and environmental liens have been conditioned for or documented in the file accordingly

PROPERTY ELIGIBILITY REVIEW (04/03/2023)

The reviewer will completely underwrite the appraisal and validate comps or additional property data as warranted. In addition, the following will be performed during the review.

- Confirm the property type and ensure it is eligible under applicable product/program guidelines.
- Review of comments regarding lot size, zoning and well and septic conditions as well as legal use restrictions
- Perform a comparable sales analysis including age, distance, and adjustments
- Analysis of the photos to verify clarity, conformity to property description and to review for external negative factors
- Verification of appraiser licensing and that appropriate appraisal services were used as required in seller guidelines
- Review of zoning concerns
- Property description review including flood zoning, adverse physical conditions, easements, and best use
- Review of sales comparison approach to include bracketed values, seasoning of comparable properties and active listings
- Review of Appraiser comments for areas of concern or inconsistency
- Review to ensure use of acceptable Appraisal source per guidelines
- Complete a comparison of Appraisal Review product to appraisal to ensure performed on the same property and to note value discrepancy outside of seller tolerances or for any comments or concern
- Confirm Appraisal Review Product is obtained from an acceptable source (e.g., ARR or CDA per guidelines)
- Determine if the subject property is in a FEMA Declared Disaster area with Individual Assistance designation. If the appraisal is dated after the disaster declaration date, confirm the appraisal states 'no impact' from the disaster. If the appraisal is dated prior to the disaster, require an updated appraisal or PDI report to confirm 'no impact' to subject property.

CREDIT REVIEW DATA COMPONENTS

The reviewer will also validate the following fields in the system as compared to the documentation submitted as applicable to the product/program submitted.

- Verus Program and Product
- Borrower Name/Entity
- Loan Purpose
- Occupancy
- Consumer or Business Purpose
- Loan Amount
- Property type
- Subject value
- LTV/CLTV
- DTI
- Credit Score
- Documentation Type
- Reserves
- Residual Income

1.5.1.2 - DELEGATED PRE-CLOSE REVIEW

Sellers who are approved to deliver loans to Verus under a delegated underwriting authority may submit for a pre-close eligibility review by a Verus designated TPR firm. The Seller is responsible for uploading a fully processed, documented and credit decisioned loan package to LMS Connect for the pre-close eligibility review. After submission and review by a Verus designated TPR firm, the Seller will receive review results (e.g., SitusAMC LAS Report) identifying any credit eligibility variances. For a pre-close review, Sellers have the option to clear or satisfy any credit eligibility variances. See the Pre-Close Eligibility File Submission Checklists for documentation requirements.

- Copy of Loan Estimate
- Rate Lock Disclosure
- FNMA Form 1003 or similar loan application (Business Purpose)
- FNMA Form 1008 or similar Seller Underwriter Approval Worksheet
- Credit Report and any explanations
- Mortgage and/or rental verification with payment history if not on the credit report
- Employment/Income Documents
- Income Calculation Worksheet
- Asset Documents
- Purchase Contract if applicable
- Preliminary Title
- Disclosures
- Occupancy Certification
- Appraisal
- Enhanced Desk Review

1.5.2 - SUBMISSION OF IMAGED PACKAGE (12/13/2021)

To ensure that we have all the necessary documentation needed to review your file effectively and efficiently, we have compiled a stacking order and checklist that should be used to confirm that your loan packages contain all the required documentation. Although the checklist is a representation of typically required documentation, the list is not exhaustive. It is the Seller's responsibility to provide all applicable documentation needed to confirm compliance with guidelines and all regulatory requirements (both state and federal) and to render a sound credit decision. Specific steps to submit imaged documents to LMS can be found on the Verus web site www.verusmc.com under Training Videos.

The submission checklist, with preferred stacking order, should be included with the submitted file, and can be found in the Stacking Order at the end of this guide.

Once a closed loan file has been received and reviewed by a due diligence partner, the Seller will receive notification that either the file is acceptable, or a list of missing documents/conditions to be addressed will be provided.

1.5.3 - CONDITION CLEARING REQUIREMENTS (04/25/2022)

If a loan is deemed to be eligible, a Clear to Close Summary will be issued. The summary includes any At Time of Close (ATC) conditions the seller must provide documentation for at time of loan delivery.

SECTION 2 - POST CLOSE FILE DELIVERY (08/29/2022)

2.1.0 - COLLATERAL DELIVERY (BULK AND FLOW) (04/25/2022)

CUSTODIAN: COMPUTERSHARE - ALL LOANS	
Custodian Name & Physical Address:	**Notification of Transfer:**
Computershare Trust Company, N.A. Attn: CMBS-INVC 1055 10th Ave SE Minneapolis, MN 55414	Please notify the Transaction Manager and the Collateral Acquisition Team with the anticipated date of the transfers, the number of loan files to be shipped, and the tracking information.

Shipping instructions: The following are also located on the Collateral Shipping Instruction Form:

- ✓ Documents must be placed in a legal-size file folder .
- ✓ Labels must be affixed to the upper right-hand corner of the legal-size pocket file folder, reflecting the Loan # from the data tape that was issued to the Custodian, as well as the Previous Loan # (if any) and the Borrower name(s).
- ✓ Loan files must be placed in sequential, numerical loan number order inside the archive boxes.
- ✓ A packing list, consisting of a list of the loans and the box number, must be included in each box.
- ✓ Each box must be marked on the outside to identify its contents as follows:
  INVC-Initial / Seller / Funding Date / Box 1 of __, Ln # 100000 - 100200.

2.1.1 - BAILEE LETTER

When delivering original promissory notes, the Seller must provide either a Bailee Letter or Security Release Form.

2.1.1.1 - BAILEE LETTER REQUIREMENTS

- Must accompany the original promissory note delivered to the custodian (see collateral delivery instructions)
- A bailment arrangement is only established if a bailee letter is delivered with the original promissory note
- Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Verus for wire account setup of the loan's purchase proceeds
- Does not require execution by Verus and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement
- Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s)
- Should contain the following information:
  - Seller's name
  - Either the Seller or Verus loan number
  - Borrower name
  - Note amount
  - Wire instructions

2.1.1.2 - SECURITY RELEASE FORM REQUIREMENTS

- Seller (generally Financial Institutions) fund loans without a warehouse line arrangement
- Security Release Form must be executed by an authorized signer of the Seller
- Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type Credit Package.
- Must sufficiently describe the subject loan so Verus can identify the correct mortgage loan(s).
- Must be delivered to Verus within 24 hours after delivery of the closed loan file.
- Should contain the following information:
  - Seller's name
  - Either the Seller or Verus loan number
  - Borrower's name
  - Note amount
  - Wiring or payment instructions

2.1.2 - INITIAL COLLATERAL DOCUMENT DELIVERY (04/03/2023)

A Closed Loan delivery package, containing the credit and closed loan document images, is required to be submitted to Verus, prior to shipping the original Note, Allonge, and supporting collateral file documents to the custodian. Collateral delivery to the custodian is due the next business day following an imaged closed loan file submission to Verus, but no later than 3 days following the lock expiration. Sellers who use a warehouse line for funding must arrange for prompt delivery of the original Note and Bailee Letter to the Custodian.

Custodian Stacking & Packaging Instructions for Collateral Shipping Instructions:

- Place collateral documents in a legal-size file folder - one (1) for each loan. Ensure the following information is reflected on the upper right-hand corner of each file folder:
  - Verus Loan ID
  - Seller Loan ID
  - Borrower name(s)
- Place loan files in sequential loan number order inside shipping package/box.
- Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan.
- Mark the exterior of each box to identify its contents as follows:
  - **INVC-Initial**/Seller Name/ Box 1 of __, Ln # 100000– 100200.
- Stack documents in the following order:
  - Bailee Letter (or Security Release Form if applicable) - **DO NOT STAPLE OR CLIP TO NOTE**
  - Original Note with an original signature, fully executed
  - Original allonge, endorsing the Note from Your Company Name to Blank (See Allonge Example).
    - Original intervening endorsements, if applicable, for an unbroken chain of title from originator to seller.
  - If not a MERS MOM loan:
    - Original Unrecorded Assignment from Seller to Blank in fully executed and recordable form
  - Original Executed Power of Attorney, or a copy of the original sent for recordation (if applicable) for new originations, or if seasoned, the recorded version
  - For loans vested in a business entity as borrower, the original Personal Guaranty and Loan Agreement, if applicable.

2.1.2.1 - CEMA DOCUMENTATION (04/03/2023)

CURRENT TRANSACTION

- Original Consolidated Note, with original allonge/endorsement from seller to blank
- Consolidation Extension and Modification Agreement (CEMA) with all exhibits
  - Exhibit A - List of all previous and current security instruments and assignments, stamped "Exhibit A"
  - Exhibit B - Legal description (matches title and security instrument, as well as previous transaction), stamped "Exhibit B"
  - Exhibit C - Copy of Consolidated Note, stamped "Exhibit C"
  - Exhibit D - Copy of Consolidated Mortgage, stamped "Exhibit D"
  - If newly originated; copy unrecorded
  - If Seasoned =/+ 120 days: recorded original or recorded copy
- If not MERS MOM, then original assignment of mortgage to blank
- Assignment from previous transaction to new transaction
  - If newly originated; copy unrecorded
  - If Seasoned =/+ 120 days: recorded original or recorded copy
- Original Gap Note, if applicable, with original allonge/endorsement from seller to blank
- Gap Mortgage, if applicable:
  - If newly originated; copy unrecorded
  - If Seasoned =/+ 120 days: recorded original or recorded copy

2.1.2.2 - REQUIREMENTS FOR NEWLY ORIGINATED LOANS (<120 DAYS FROM NOTE DATE) (04/25/2022)

A copy of the unrecorded mortgage and title commitment are required for loan sale/purchase settlement eligibility. Deliver the preliminary documents to Verus, as follows:

- Upload images via LMS Connect (delivery portal) using document type 'Credit Package Document'.
- Delivery of the recorded/final versions to the custodian is required within 180 days of the note date.
- See Trailing Document Delivery instructions for details.

2.1.2.3 - REQUIREMENTS FOR SEASONED LOANS (=>120 DAYS FROM NOTE DATE) (04/25/2022)

The recorded mortgage, final title policy, and original or recorded (copy or original) loan modification, if applicable are required for loan sale/purchase settlement eligibility. Deliver the final documents to Verus as follows:

- Upload images via LMS Connect (delivery portal) using document type 'Credit Package Document'.
- Ship documents to custodian, Computershare Trust Company, N.A., either with initial collateral delivery or as purchase clearing conditions.
- If loan modification is out for recording, a copy of the unrecorded document should be provided; recorded document becomes a trailing document.

2.1.2.4 - COLLATERAL EXCEPTIONS

Sellers are required to deliver a complete and accurate Collateral package. Collateral exceptions (if any) must be resolved prior to funding, but no later than the third day following the expiration of the rate lock. See Section 1.4.3.7 - Rate Locks and Delivery for the full details.

Collateral exceptions (if any) are communicated to Sellers via LMS connect. It is the responsibility of Sellers to monitor LMS connect for collateral exceptions that require resolution prior to funding.

2.1.3 - FLOW - POST CLOSE FILE DELIVERY

2.1.3.1 - SUBMISSION OF IMAGED PACKAGE

To ensure that we have all the necessary documentation needed to review your file effectively and efficiently, we have compiled a stacking order and checklist that should be used to confirm that your loan packages contain all the required documentation. Although the checklist is a representation of typically required documentation, the list is not exhaustive. It is the Seller's responsibility to provide all applicable documentation needed to confirm compliance with guidelines and all regulatory requirements (both state and federal) and to render a sound credit decision.

The submission checklist, with preferred stacking order, should be included with the submitted file, and can be found in the Stacking Order at the end of this Delivery Guide.

Once a closed loan file has been received and reviewed by a due diligence partner, the Seller will receive notification that either the file is acceptable, or a list of missing documents/conditions to be addressed will be provided.

2.1.3.2 - CONDITION CLEARING REQUIREMENTS (04/25/2022)

If a loan is deemed to be eligible, the Post-Close Review Summary may or may not include conditions. If conditions are present, the Seller is required to resolve the condition(s). See Section 1.4.3.7 – Rate Locks and Delivery for required time periods to clear conditions. The Seller will receive an updated Review Summary once all conditions have been cleared.

2.1.4 - FEES (12/12/2022)

Fees will be deducted at the time of loan funding and will be reflected on the Purchase Advice. Unpaid fees associated with loans not purchased may be netted from future funding.

FEES	
Funding Fee	$575
Non-Delegated Review Fee	$500
Pre-close Limited Review Fee	$400
Flood Cert/Life of Loan Fee	$17.50
Overdue MERS Transfer Fee	$75
Non-MERS Transfer Fee	$75
Overdue Trailing Document Fee	$75
(Not delivered within 90 days of purchase)	

TAX SERVICE FEE	
Loan Balance	**Fee**
< 999,999	$99
1,000,000 – 1,099,999	$109
1,100,000 – 1,199,999	$119
1,200,000 – 1,299,999	$129
1,300,000 – 1,399,999	$139
1,400,000 – 1,499,999	$149
$10 for every $100,000 increase in loan balance	

Condition Clearing Fee (applies to all loans)

Sellers will be responsible for clearing all credit, compliance, collateral, or any other due diligence conditions by the earlier of (a) 20 calendar days after the lock expiration date; or (b) 30 calendar days after the date of the initial review results are released via the Verus Seller Portal (the "Cure Period Expiration Date").

Any loan with open due diligence condition(s) as of the Cure Period Expiration Date will be subject to a 2.5 bp per calendar day reduction in price assessed from the Cure Period Expiration Date up to and including the final cure date. To the extent conditions are not cleared by close of business on the 15th calendar day following the Cure Period Expiration Date, the Purchaser may, at its option, reprice the loan to current market or cancel the commitment.

2.2.0 - GENERAL POST CLOSE FILE DELIVERY REQUIREMENTS (ALL DELIVERIES) (05/03/2021)

2.2.1 - AUTOMATED CLEARING HOUSE (ACH) PAYMENTS

Sellers are strongly encouraged to use the Verus Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower. Borrowers may select a draft date within the grace period stated on the Note.

Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.

Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.

Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.

A copy of the ACH enrollment form must be included in the closed loan submission package to Verus.

Click here to see the Automatic Payment Authorization (ACH) Form.

2.2.2 - BORROWER CONTACT CONSENT FORM (04/25/2022)

Sellers are required to provide accurate borrower contact information to Verus. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Verus Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Verus.

Click here to see the Borrower Contact Consent Form.

2.2.3 - INTEREST CREDIT (04/03/2023)

Loans closed/disbursed within the first five (5) days of the month may reflect an interest credit to the borrower.

2.2.4 - PRINCIPAL CURTAILMENT (12/13/2021)

The maximum amount of the curtailment cannot exceed the lesser of $2,500 or 2% of the original loan amount.

2.2.5 - ASSUMABILITY (04/25/2022)

Fixed Rate loans are not assumable. ARM loans with assumability language are acceptable if the assumption is at the lender's discretion. In any case, the wording in the Note and Closing Disclosure must match.

2.2.6 - PROPERTY INSURANCE (07/10/2023)

2.2.6.1 - COVERAGE REQUIREMENTS

Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. 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 damage caused by aircraft, vehicle, or explosion.

Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that normally are included under an extended coverage endorsement are not acceptable. Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril, or from an insurance pool that the state has established to cover the limitations or exclusions.

The hazard insurance coverage should be equal to the lesser of:

- Replacement Cost Estimator from the property insurer or a 3rd party source (i.e., CoreLogic), if provided
- Estimated cost to replace the dwelling from a recent appraisal, if provided
- The unpaid principal balance of the mortgage

2.2.7 - COMMERCIAL GENERAL LIABILITY INSURANCE: 2-8 MIXED USE PROPERTIES (04/25/2022)

Commercial general liability insurance blanket policy against claims for personal injury, bodily injury, death or property damage occurring upon, in or about any property, such insurance to be:

- Per Occurrence Minimum Coverage: $1,000,000
- Aggregate Coverage: $2,000,000
- At least as broad as Insurance Services Office's (ISO) policy form CG 00 01

2.2.8 - FLOOD INSURANCE (08/29/2022)

The seller must ensure that the property securing the mortgage loan is adequately protected by flood insurance when required. Flood insurance coverage is required when a mortgage loan is secured by a property located in

- a Special Flood Hazard Area (SFHA), or
- a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). (See below for additional information.)

The seller/servicer must determine whether or not the property is located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA. All flood zones beginning with the letter "A" or "V" are considered SFHAs.

The following table describes how to evaluate a property to determine if flood insurance is required. For the purpose of these requirements, the "principal structure" is the primary residential structure on the property securing the mortgage loan.

If…	Then flood insurance is…
any part of the principal structure is located in an SFHA,	required.
the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	required for the residential detached structure.
the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA	not required on either structure.
the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the mortgage loan is located within the SFHA	not required on either structure.

The minimum amount of flood insurance required for first-lien mortgages is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements,
- The maximum insurance available through the NFIP, or
- The unpaid principal balance (UPB) of the loan (or loan amount at the time of origination).

Minimum coverage must be equal to the dwelling coverage for hazard insurance, subject to the following:

- **1-4 Unit Properties:** If dwelling coverage for hazard insurance is greater than $250,000 then flood coverage must be $250,000 as this is the maximum allowed per FEMA
- **5+ Units Properties:** If dwelling coverage for hazard insurance is greater than $500,000 then flood coverage must be $500,000 as this is the maximum allowed per FEMA.

2.2.8.1 - ACCEPTABLE FLOOD INSURANCE POLICIES

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer as long as the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer.

2.2.9 - TITLE POLICY REQUIREMENTS

Each loan delivered to Verus Mortgage Capital must include a title insurance policy. If the file contains the Commitment for Title Insurance, it must indicate the policy will be issued upon payment of the premium. By delivering a mortgage loan to Verus, the Seller represents and warrants that the loan is covered by the required title policy, issued by a licensed insurer, and includes any required endorsements. The title insurer and policy must conform to Fannie Mae® requirements.

2.2.9.1 - TERMS OF COVERAGE (12/12/2022)

The title insurance policy must ensure the title is acceptable and that the mortgage represents a first lien on a fee simple estate in the property. The title policy must also list all other liens and reflect they are subordinate. The title insurance policy must be updated with Its Successors and/or Assigns ISAOA language. When the borrower is an Entity, the title insurance policy must provide protection regarding whether the signatories had the authority to validly execute the mortgage document. The policy must be written on one of the following forms:

- The 2006 American Land Title Association (ALTA) standard form.
- An ALTA short form if it provides coverage equivalent to the 2006 ALTA standard form.
- In states in which standard ALTA forms of coverage are, by law or regulation, not used, the state-promulgated standard or short form which provides the same coverage as the equivalent ALTA form.
- For Adjustable-Rate Mortgages, the policy must include ALTA Endorsement 6-06.

2.2.9.2 - EFFECTIVE DATE OF COVERAGE

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.

2.2.9.3 - AMOUNT OF COVERAGE

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

2.2.9.4 - MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)

If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for the Seller named in the security instrument and the Seller's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the Seller and Seller's successors and assigns. However, under no circumstances may MERS be named as the insured of a title policy.

2.2.9.5 - OTHER REQUIREMENTS

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form providing the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are, by law or regulation, not used, provided that those endorsements do not materially impair the protection to Verus. As an alternative to endorsements, the requisite protections may be incorporated into the policy.

Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

2.2.9.6 - CHAIN OF TITLE

All files must contain a 24-month title history. Transfer date, price, and buyer and Seller names should be provided for any transfers that occurred within the past 24 months.

2.2.9.7 - CONDOMINIUM OR PLANNED UNIT DEVELOPMENTS (PUD)

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

For condominium unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants in common, the policy for each unit's mortgage must reflect that ownership.

If the homeowners' association (HOA) owns the common elements, areas, or facilities of the project separately, the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Verus by insuring:

- that the mortgage is superior to any lien for unpaid common expense assessments. (In jurisdictions that give these assessments a limited priority over a first mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.)

- against any impairment or loss of title of the first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)
- that the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)
- that the mortgage loan is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes.
- that real estate taxes are assessable and lienable only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole.
- that the owner of a PUD unit is a member of the homeowners' association, and that the membership is transferable if the unit is sold.

2.2.9.8 - TITLE EXCEPTIONS

Verus will not purchase or securitize a mortgage secured by property that has an unacceptable title impediment, particularly unpaid real estate taxes and survey exceptions.

If surveys are not commonly required in particular jurisdictions, the Seller must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

2.2.9.9 - MINOR IMPEDIMENTS TO TITLE

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which Verus considers minor impediments:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

2.3.0 - PURCHASING AND FUNDING (08/10/2022)

2.3.1 - LOAN PURCHASE PROCEDURES (08/29/2022)

Verus requires a review of the closed loan file prior to purchase. The review consists of three (3) parts: Credit, Collateral and Payment History. The credit review and approval are completed by a third-party provider. The collateral package is reviewed by our document custodian. The payment history is reviewed for accuracy and confirmation that the loan is current. Loan funding occurs after the following:

- The credit file has been reviewed and all conditions have been cleared.
- All collateral documents have been reviewed and all conditions have been cleared.
- A review of the payment history unpaid principal balance, next payment due date and escrow impounds has been performed by Verus.

Upon completion of these three (3) steps, a Purchase Advice will be generated and delivered to the Seller.

2.3.2 - PURCHASE ADVICE

Verus will purchase a scheduled principal balance. The first payment date due to Verus and the Servicing Transfer Date will be specified on the Purchase Advice.

Interest to be credited or debited at the time of loan purchase is based upon a 30/360 calendar.

Verus will provide a notification when a Loan Purchase Advice is ready for review and approval.

The Seller must review the Purchase Advice in its entirety within LMS Connect. If there are any questions about the Purchase Advice, reply to the Verus notification or contact the Verus Lock Desk.

The Seller must approve the Purchase Advice in LMS Connect. Upon approval Verus will fund the loan. The daily cutoff for wiring funds is 10:00am central time, approvals must be in LMS Connect prior to 10:00am to receive funds that day. Any loans which are not approved by the 10:00am central time cut off will be updated to reflect a settlement date of the next business day and must be approved by 10:00am central time on the following business day.

Once the funds are received, the Seller should reconcile the wire amount to ensure that the appropriate funds were received. If a discrepancy is identified, the Seller must notify the Lock Desk within five (5) days of the loan purchase. The Seller must provide documentation supporting the discrepancy.

2.3.3 - WIRE INSTRUCTIONS

Wiring Instructions for each of the Seller's warehouse bank must be on file with Verus prior to funding.

2.3.4 - FINAL DOCUMENT DELIVERY (04/03/2023)

Sellers are responsible for the submission of recorded documents, in final form and free of exceptions, to the Custodian after the loan has been purchased.

CUSTODIAN: COMPUTERSHARE - ALL LOANS
Custodian Name & Physical Address:
Computershare Trust Company, N.A. ATTN: CMBS-INVC 1055 10th Ave SE Minneapolis, MN 55414

Verus requires the submission of final documents within 180 days of the note date but no later than 180 days after the purchase date by Verus.

Monthly final-document status reports will be delivered to Sellers via LMS Connect to aid in final document management and document error resolution. It is the Seller's responsibility to reconcile the final-document status reports to its delivery records for any discrepancies. When communicating discrepancies for Verus research, email finaldocs@verusmc.com and include the Verus loan ID, Seller loan ID, shipping date, shipping address, and courier tracking number.

2.3.4.1 - FINAL DOCUMENTATION (04/03/2023)

The following documents must be submitted as final documents on all loans :

- Recorded Security Instrument and all applicable riders
- Title Policy, with all endorsements*

- Other documents as may be applicable, some examples:
  - Recorded Power of Attorney
  - Recorded UCC

  * Fees for title policy endorsements are the responsibility of the Seller.

Verus reserves the right to assess fees for documents not delivered to the Custodian, or document errors not resolved, as set forth in the Mortgage Loan Purchase Agreement (MLPA). Any documents not provided, or errors not resolved within this timeframe will be addressed by Verus through other means at a cost to the Seller of $75 per document. Verus reserves the right to demand a repurchase of the loan according to the terms of the MLPA.

Preparing Final Documents for Delivery:

- Include a cover sheet with the Seller and Verus Loan IDs for each final document or use a manifest to identify each document and its corresponding Seller and Verus Loan IDs. When using a manifest, the documents must be stacked in the same order as indicated on the manifest.
- Individual documents with multiple pages may be stapled or clipped together.
  - Do **NOT** staple/clip multiple *documents* together.
- Mark the exterior of the package(s)/box(es) to identify its contents as follows:

CBMS-INVC-Final Docs / Seller Name / Box 1 of __, Ln # 100000 - 100200.

Custodian Delivery Address:

Computershare Trust Company, N.A.
Attn: CMBS-INVC
1055 10th Ave SE
Minneapolis, MN 55414

2.3.5 - POST-PURCHASE ADJUSTMENTS

It is the Seller's responsibility to review the Purchase Advice as soon as possible to ensure that the net funding is correct. Following the sale of a loan to Verus, if there is a discrepancy between the loan data in the system and the Seller's loan records, a post-purchase adjustment may be required.

To initiate a post-purchase adjustment for a whole loan:

STEP	ACTION
1	Research the discrepancy and request a post-purchase adjustment via email to the Verus lock desk. Requests exceeding **90** days will not be considered for post-purchase pricing adjustments.
2	Assemble documentation to support the post-purchase adjustment. Documentation should include:
	• Detailed explanation of the discrepancy and the corrective action requested.
	• Copy of the funding notification ('Purchase Advice').
	• Additional documentation supporting your request, as applicable (i.e., HUD-1, etc.).
3	Securely submit the request form and supporting documentation to LockDesk@verusmc.com. Verus will research the request and provide a response within one (1) business week of receipt.

2.3.5.1 - WHEN A POST-PURCHASE ADJUSTMENT OCCURS

- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is lower than the purchase price, the difference in price is billed to the Seller.
- When a Seller submits a post-purchase data change to a price-impacted field and the resulting price is higher than the purchase price, the difference in price is remitted to the Seller.

2.3.6 - MERS REGISTRATION AND TRANSFER

The Seller must properly register the loan on the MERS® System at least 24 hours prior to a Verus purchase and provide a copy of the mortgage loan registration screen in the closing/legal package.

The Seller is responsible for initiating the MERS® Transfer of Rights, within five (5) calendar days of the purchase date (i.e., purchase settlement), as follows:

- Investor: **1013178**
- Servicer: **1013178**

Sellers may contact Verus' MERS desk for additional assistance at MERS@verusmc.com.

***Note**: Verus reserves the right to charge an administrative fee of $25.00 for any loan not transferred accurately within five (5) calendar days.*

SECTION 3 - SERVICING

3.1.0 - SERVICING TRANSFER INSTRUCTIONS (05/03/2021)

3.1.1 - INTERIM SERVICING RESPONSIBILITES (09/07/2021)

Loans sold to Verus ("Purchaser") require that the Seller sub-service the loans for the interim period between the Verus purchase date and the servicing transfer date. In accordance with the Mortgage Loan Purchase Agreement (MLPA), the Seller shall service and administer the mortgage loans on behalf of the Purchaser from the purchase date until the designated Servicing Transfer Date, as specified by Verus.

The interim servicing obligations of the Seller shall include payment collection and escrow disbursements as well as responding to servicing-related inquiries including payoff statement requests from the borrower during the interim servicing period.

3.1.2 - SERVICING TRANSFER CONTACTS (12/13/2021)

The Verus Servicing Transfer Team will assist Sellers throughout the servicing transfer process.

VERUS MORTGAGE CAPITAL - SERVICING TEAM CONTACT INFORMATION	
Karen Brechlin Servicing Manager	651-352-4414 Kbrechlin@verusmc.com
Melynda Aliffi Servicing Transaction Manager	612-225-0370 Maliffi@verusmc.com
Susan Sessom Servicing Transaction Manager	(651) 352-4407 Ssessom@verusmc.com
Adrienne Cobb Servicing Transaction Manager	(612) 225-0451 Acobb@verusmc.com
Goal Chang Servicing Transaction Manager	(612) 225-0452 Gchang@verusmc.com
Servicing Support Contacts	651-352-4400 ServicingTransfers@verusmc.com

3.1.3 - SERVICING TRANSFER GENERAL INFORMATION (08/29/2022)

Servicing transfers occur on the 1st and 15th of each month. A bulk pool may have a negotiated transfer date which will be mutually agreed upon at the time of purchase.

Loans will transfer to Shellpoint Mortgage Servicing.

- The New Servicer name and new loan number are listed on the Verus Purchase Advice.
- The servicing transfer date is listed on the Verus Purchase Advice.

The transfer process will comply with all RESPA laws and Consumer Financial Protection Bureau (CFPB) best practices.

3.1.4 - SERVICING TRANSFER PROCESS (04/25/2022)

The servicing transfer process will follow one of these two methods:

- Servicer to Servicer transfer
- Verus Assisted transfer

The best transfer method will be mutually agreed upon at the time of purchase.

Undue delays in servicing transfer caused by the seller or seller's agent may subject the loans to repricing to current market conditions or an extension fee.

3.1.5 - SERVICER TO SERVICER TRANSFERS (12/12/2022)

Servicer to Servicer transfers are the Verus preferred method.

If at the time of purchase the loans are currently serviced by a sub-servicer ("Current Servicer"), that servicer is responsible for providing loan boarding data, loan document images, and an updated payment history to the Verus sub-servicer ("New Servicer"). Specific servicing transfer instructions will be provided by the New Servicer. The Seller must ensure that their transfer agreement with the sub-servicer stipulates delivery of both preliminary and final data files.

If the loans are currently serviced by the Seller, and the Seller's servicing system can provide the required servicing data and images to the new servicer, then the Servicer-to-Servicer transfer process will apply.

Verus will coordinate the transfer process with the Seller, the Current Servicer, and the New Servicer.

TRANSFER TIMELINE	TRANSFER DELIVERABLE
Prior to Sale of First Loan to Verus	• Verus Servicing Team and Seller have an initial servicing call
Loan Purchase Date	• Verus purchases loan from Seller • The Purchase Advice is generated. The Purchase Advice identifies the New Servicer Name, New Loan Number and Servicing Transfer Date • The Current Servicer continues their interim servicing responsibilities
5 Days After the Purchase Date	• The Current Servicer initiates the MERS transfer
20 Days Prior to Transfer Date	• The Current Servicer submits a sample Goodbye Letter to Verus and the New Servicer • The Current Servicer provides preliminary servicing transfer data and images to the New Servicer
15 Days Prior to Transfer Date	• The Current Servicer mails the approved Goodbye Letter
Servicing Transfer Date	• The Current Servicer provides final servicing transfer data and images to the New Servicer • The Current Servicer sends escrow funds to the New Servicer • The New Servicer begins their servicing responsibilities
Within 15 Days After Transfer Date	• The New Servicer mails their Welcome Letter

3.1.5.1 - SERVICER TO SERVICER TRANSFERS – ESCROW

The Current Servicer is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the transfer date. The Current Servicer must take advantage of any early payment discounts.

The Current Servicer will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer in a timely manner.

Penalties or interest incurred by the New Servicer due to Current Servicer's failure to pay tax or insurance disbursements as described above, may be billed back to the Seller.

The Current Servicer will transfer the remaining escrow funds to the New Servicer on the Servicing Transfer Date.

3.1.5.2 - SERVICER TO SERVICER TRANSFERS – PAYMENTS RECEIVED AFTER THE TRANSFER DATE

The Current Servicer is responsible for collecting any payments that are due to them during the interim servicing period. The Current Servicer must stop collection efforts after the servicing transfer date.

If the Current Servicer receives a payment after the transfer date, they must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

3.1.5.3 - SERVICER TO SERVICER TRANSFERS – FORCE PLACE INSURANCE

If Force Placed Insurance is in effect at the time of servicing transfer, the Current Servicer will include in their transfer data a report of the Force Placed Insurance including the amount and date of the last disbursement.

The Current Servicer will cancel the policy on the transfer date.

3.1.6 - VERUS ASSISTED TRANSFERS

If the loans are currently serviced by the Seller, and the Seller's operating system cannot accommodate a servicing transfer, Verus can assist with the transfer requirements. Contact the Verus Servicing Team for the special arrangements with this process. **This does not relieve the Seller of the interim servicing obligations.**

3.1.6.1 - VERUS ASSISTED TRANSFERS - ESCROW (12/12/2022)

Escrow funds based on the scheduled purchase balance will be netted by Verus at the time of purchase. The netted amount will be included on the Purchase Advice.

The Seller is responsible for paying all taxes and insurance due prior to the servicing transfer date and for the 30 days following the transfer date. The Seller must take advantage of any early payment discounts. Verification of upcoming disbursements to be netted from the purchase proceeds will be confirmed at the time of settlement.

Verus recommends that the Seller pay at closing any tax or insurance due within 60 days of the closing date to ensure there is no lapse in payment. If a tax bill or hazard renewal is not available at closing, but is due within 60 days of closing, the Seller should ensure that an adequate escrow deposit is collected at closing.

The Seller will be responsible for the payment of any penalty and/or interest assessed due to non-payment or due to failure to forward tax or insurance bills to the New Servicer timely.

Penalties or interest incurred by the New Servicer due to the Seller's failure to pay escrow disbursements as described above, may be billed back to the Seller.

3.1.6.2 - VERUS ASSISTED TRANSFERS – PAYMENTS DUE TO THE SELLER

The Seller is responsible for collecting any payments that are due to them during the interim servicing period. Sellers must stop collection efforts on the servicing transfer date.

Sellers must self-report to Verus if payments due to them in the interim servicing period are uncollected (delinquent) at the time of Servicing Transfer. Sellers must self-report to the Verus Servicing Team at ServicingTransfers@verusmc.com no later than five (5) days after the servicing transfer date. The Verus Servicing Team will correct the scheduled balance and next due date with the New Servicer.

Sellers who receive a payment due to them after the 5-day self-reporting cutoff must forward the payment on to the New Servicer within 48 hours. Payments can be forwarded by wire or by check.

Verus will then process a funding adjustment to reimburse the seller per the new scheduled balance.

For information on where to send the funds, click here to see the New Servicer Reference Guide.

3.1.6.3 - VERUS ASSISTED TRANSFERS - PAYMENTS DUE TO VERUS

All payments and/or curtailments collected by the Seller after the transfer date that are due to Verus must be forwarded to the New Servicer within 48 hours of receipt. Payments can be forwarded by wire or by check.

For information on where to send the funds, click here to see the New Servicer Reference Guide.

3.1.7 - NON-SUFFICIENT FUNDS (NSF) PAYMENTS

If a payment due to the Seller is reported as Non-Sufficient Funds (NSF) or returned by the bank after the service transfer, the Seller or Current Servicer must provide supporting documentation and request payment reimbursement from the New Servicer and include the Verus Servicing team at ServicingTransfers@verusmc.com.

For information on where to send the request, click here to see the New Servicer Reference Guide.

3.1.8 - AUTOMATED CLEARING HOUSE (ACH) PAYMENTS

Sellers are strongly encouraged to use the Verus Automatic Payment Authorization (ACH) Form at closing to establish automated payments for the borrower. Borrowers may select a draft date within the grace period stated on the Note.

Payment and bank account data along with the imaged ACH enrollment form must be provided to the New Servicer as part of the servicing transfer.

Borrowers may need to make a manual payment if the first payment(s) are due to the Seller.

Borrowers may also contact the New Servicer directly to establish automated payments after the transfer.

A copy of the ACH enrollment form must be included in the closed loan submission package to Verus.

Click here to see the Automatic Payment Authorization (ACH) Form.

3.1.9 - BORROWER CONTACT CONSENT FORM (04/25/2022)

Sellers are required to provide accurate borrower contact information to Verus. For many borrowers, their preferred method of contact is by email, mobile phone, and text. These forms of communication require special authorization from the borrower.

Sellers are encouraged to incorporate the Verus Borrower Contact Consent Form in the borrower's closing package and include the form in the closed loan submission package to Verus.

Click here to see the Borrower Contact Consent Form.

3.1.10 - FORWARDING TAX AND INSURANCE BILLS

After the Servicing Transfer Date, the Seller should forward all tax bills, insurance premium renewal notices, and insurance policy documents that they received to the New Servicer within one (1) business day.

For information on where to send trailing tax or insurance documents, click here to see the New Servicer Reference Guide.

3.1.11 - SUPPLEMENTAL TAX BILLS

Supplemental tax bills are the borrower's responsibility to pay. As most supplemental tax bills are mailed only to the borrower and are not escrowed, the New Servicer is not required to track or to pay the supplemental tax bills from the borrower's escrow account.

3.1.12 - FLOOD CERTIFICATES

Verus requires Life of Loan Flood Certificates for all first liens. The Verus preferred flood certificate provider is CoreLogic Flood Services. A copy of the flood certificate must be included in the closed loan submission package to Verus. Any loan requiring Flood Insurance must include: an insurance policy that is in compliance with HFIAA and an escrow/impound account for the insurance premium.

3.1.13 - TAX TRACKING (12/12/2022)

Verus requires fully transferrable and life of loan tax service on each first lien. The Seller should obtain this at closing. The Verus required tax vendor is CoreLogic. The Seller must provide the tax certificate number to Verus at the time of purchase.

Loans that do not have a life of loan transferable tax certificate number established will be charged the applicable CoreLogic new certificate set-up fee at the time of Verus purchase. For details, see Section 2.1.4 – Fees of this Guide. The fee will be netted by Verus at the time of purchase.

3.1.14 - MORTGAGEE CHANGE REQUIREMENTS (12/12/2022)

The Seller will ensure that polices are updated with Its Successors and/or Assigns ISAOA language

- Hazard insurance payee
- Flood insurance payee
- Taxing authority, or the Seller's tax service vendor
- Title insurance policy

3.1.15 - LOSS DRAFT REQUIREMENTS

If a claim is in process prior to the Servicing Transfer Date, the Seller should continue to process the claim. On the Servicing Transfer date, any remaining undisbursed funds and all claim documentation received by the Seller for the claim should be forwarded to the New Servicer.

3.1.16 - YEAR END TAX / IRS REPORTING (08/29/2022)

The Seller or their sub-servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

The New Servicer is responsible for providing 1098 reporting to the mortgagor for the period they serviced the loan.

3.1.17 - PAYOFFS

3.1.17.1 - PAYOFFS PRIOR TO SERVICING TRANSFER

Payoff requests received prior to the Servicing Transfer Date must be provided by the Seller or Current Servicer.

All payoff funds received before the Servicing Transfer Date should be wired within 24 hours to the New Servicer. Notification of payoffs should be sent to: ServicingTransfers@verusmc.com and to VerusAccounting@invictuscp.com

For wire information, click here to see the New Servicer Reference Guide.

3.1.17.2 - PENDING PAYOFFS

If the Seller or Current Servicer has issued a payoff statement prior to the Servicing Transfer Date, then they must provide to the New Servicer a list of accounts with a valid payoff statement pending at the time of servicing transfer. Include the following information:

- Loan Number
- Payoff amount
- Good-through date

Copies of all valid payoff statements issued for which funds have not been received must be provided to the New Servicer.

For information on where to send trailing document images, click here to see the New Servicer Reference Guide.

3.1.17.3 - EARLY PAYOFF (EPO) PREMIUM RECAPTURE

Loans paying off early, as defined in the Seller's Mortgage Loan Purchase Agreement, will be subject to Premium Recapture.

CHAPTER 2 - NON-QUALIFIED MORTGAGE

The Non-QM programs offer loans with features beyond the criteria established for Qualified Mortgages. Features include alternative income documentation for self-employed borrowers, interest only, and loan qualification for investment properties using the subject property cash flow. Non-QM loans submitted to Verus must meet the criteria of the current published Eligibility Guide as of the Verus loan lock date for review.

SECTION 4 - PRODUCT MATRICIES (12/12/2022)

(See attached Loan Matrices Document)

4.1.0 - ELIGIBLE PRODUCTS (08/29/2022)

The following loan products are eligible for purchase by Verus:

PRODUCT	QUALIFYING RATE*	TERM	I/O TERM	AMORT TERM	INDEX	CAPS
5/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	2/1/5
5/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	2/1/5
7/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
7/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
10/6 ARM	Higher of Fully indexed or Note Rate	360	NA	360	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	360	120	240	30-day avg SOFR	5/1/5
10/6 ARM I/O	Higher of Fully indexed or Note Rate	480	120	360	30-day avg SOFR	5/1/5
15 YR FIXED	Note Rate	180	NA	180	NA	NA
30 YR FIXED	Note Rate	360	NA	360	NA	NA
30 YR FIXED I/O	Note Rate	360	120	240	NA	NA
40 YR FIXED	Note Rate	480	NA	480	NA	NA
40 YR FIXED I/O	Note Rate	480	120	360	NA	NA

*When Investor Solutions – DSCR documentation type is selected, all ARM products may use the note rate for qualifying.

Additional ARM Criteria			
Adjustment Reset Period	**Lookback Period**	**Margin**	**Floor**
6-months	45-days	See Rate Sheet	Margin

4.1.1 - STATE AND CBSA-SPECIFIC ELIGIBILITY RESTRICTIONS (12/12/2022)

See the Verus Loan Eligibility Matrix for state and CBSA-specific eligibility restrictions for all programs.

4.1.2 - QUALIFYING PAYMENT (09/07/2021)

The qualifying payment is based upon the principal and interest payment along with 1/12th of the annual real estate taxes, property insurance, any other insurance, and any association dues.

The qualifying payment is based on the amortization term. For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period. Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest only payment (ITIA).

4.1.3 - INTEREST-ONLY RESTRICTIONS (04/03/2023)

	Prime Ascent Plus	Prime Ascent	Credit Ascent	Investor Solutions	Foreign National
Occupancy	**All Occupancy**	**All Occupancy**	**All Occupancy**	**Investment**	**Investment**
Min Credit Score	700	660	660	660	Eligible – No Restrictions
Max LTV/CLTV	80%	90%	85%	80%	

4.1.4 - LOAN AMOUNTS (12/12/2022)

	Prime Ascent Plus	Prime Ascent	Credit Ascent	Investor Solutions	Foreign National
Minimum	$250,000	$150,000	$150,000	$100,000	$150,000
Maximum	$2,500,000	$4,000,000	$3,000,000	$3,500,000	$2,000,000

4.1.5 - MINIMUM CREDIT SCORE (07/10/2023)

Prime Ascent Plus	Prime Ascent	Credit Ascent	Investor Solutions	Foreign National
680	660	600	620	680 US Credit or Foreign Credit

4.1.6 - SOLAR PANEL REQUIREMENTS (04/03/2023)

4.1.6.1 - PROPERTIES WITH SOLAR PANELS

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- borrower-owned panels,
- leasing agreements,
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- power purchase agreements

Property with solar panels are eligible for purchase. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

Lenders are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, lenders may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. The lender must also review the title report to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.

Lenders are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report .

The following table summarizes some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels.

If the solar panels are…	Then the lender must…
Financed and collateralized -- the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing* has been filed for the panels in the real estate records	• Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan; • Include the debt obligation in the DTI ratio calculation; • Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and • Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing* is of record in the land records. **Note:** If a UCC fixture filing* is in the land records as a priority senior to the mortgage loan, it must be subordinated.
Financed and collateralized -- the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report	• Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, any UCC financing statement, related promissory note or related security agreement); • Include the debt obligation in the DTI ratio calculation; • Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt; • Not include the panels in the LTV ratio calculation; and • Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement or any UCC financing statement treat the panels as personal property not affixed to the home.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related real property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

4.1.6.2 - LENDER REQUIREMENTS FOR PROPERTIES WITH SOLAR PANELS THAT ARE LEASED OR COVERED BY A POWER PURCHASE AGREEMENT

- The lender must obtain and review copies of the lease or power purchase agreement.
- The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to:
  - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
  - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property
- The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
  - A "precautionary" UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
  - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power purchase agreement must indicate that:
  - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
  - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
  - In the event of foreclosure, the lender or assignee has the discretion to:
    - Terminate the lease/agreement and require the third-party owner to remove the equipment;
    - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
    - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

4.1.7 - PRIVATE MORTGAGE INSURANCE (PMI)

Private Mortgage Insurance (PMI) is not required on any loan eligible for sale to Verus Mortgage Capital.

4.2.0 - AGE OF DOCUMENT REQUIREMENTS (06/21/2021)

4.2.1 - CREDIT REVIEW DOCUMENTATION

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification / pay stubs
- Mortgage /rental verification
- Asset documents / bank statements
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

4.2.2 - APPRAISAL (08/29/2022)

Residential Appraisals (1-4 units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in Section 5.5.1.1 – Appraisal Requirements.

Commercial Appraisals (5-8 multi-family, 2-8 mixed use): Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required.

4.2.3 - LOAN SEASONING

Loans seasoned beyond the second scheduled payment date due from the borrower are ineligible. Verus may, at its sole discretion, make exceptions regarding loan seasoning.

4.3.0 - BORROWER ELIGIBILITY (06/21/2021)

4.3.1 - RESIDENCY

4.3.1.1 - US CITIZEN

Eligible without guideline restrictions.

4.3.1.2 - PERMANENT RESIDENT ALIEN (04/03/2023)

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. The Green Card (Form I-551) is evidence of employment authorization.

- Acceptable evidence of permanent residency include the following:
  - Alien Registration Receipt Card I-551 (referred to as a green card).
  - Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
  - Alien Registration Receipt Card I-551 (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.

4.3.1.3 - NON-PERMANENT RESIDENT ALIEN (07/10/2023)

An individual admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. Listed below are some common VISA categories allowing temporary residency. In addition to the VISA, most individuals will need an Employment Authorization Document (Form I-765) as evidence they are authorized to work in the United States.

- Legal Status Documentation
  - Visa
    - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1A, L-1B, NATO, O-1, R-1, TN NAFTA.
    - Visa must be current. If the visa will expire within six (6) months following the close date, additional documentation is required: evidence that the proper extension steps have been followed per the U.S. Citizenship and Immigration Services (USCIS) website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.
  - Employment Authorization Documents
    - When applicable, a valid Employment Authorization Document (EAD) is required for US employment if the borrower is not sponsored by a current employer. Visa types of H-1B, L-1B, O, and P authorize the individual to work for a specific employer and additional EAD is not required. All other Visa types and nonimmigrant status (i.e., asylee) require current EAD (Form I-765). If the EAD will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted. If the borrower filed a Form I-765 renewal application on or after May 4, 2022, USCIS will send them a Form I-797C Notice of Action receipt notice that has information regarding the up to 540-day automatic extension. If the borrower is eligible for the automatic extension, this receipt notice, together with the expired EAD (and the borrower's unexpired Form I-94, if the borrower is an H-4, E, or L-2 dependent spouse, including E-1S, E-2S, E-3S and L-2S class of admission codes) will serve as acceptable proof of employment authorization and/or EAD validity during the up to 540-day automatic extension period. See the related USCIS link for further information: https://www.uscis.gov/eadautoextend
- Guideline restrictions:
  - Standard or Alt Documentation limited to 24 months only. Maximum LTV/CLTV limited to 80%
  - DSCR Documentation (Investment Only): Maximum LTV/CLTV 75%

- Non-occupant co-borrowers are not allowed.
- Gift funds are not allowed.
- US credit requirements detailed under the Credit section of this guide must be used.

DEFERRED ACTION FOR CHILDHOOD ARRIVALS (07/10/2023)

Deferred Action for Childhood Arrivals (DACA) - On June 15, 2012, the Secretary of Homeland Security announced that certain people who came to the United States as children and meet several guidelines may request consideration of deferred action for a period of 2 years, subject to renewal. They are also eligible to request work authorization. Deferred action is an exercise of prosecutorial discretion to defer removal action against an individual for a certain period of time. Deferred action does not provide lawful status. Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number, or proof of application for a SSN, along with a 2-year U.S. credit and employment history. Eligible forms of documentation may include the following:

- Consideration of Deferred Action for Childhood Arrivals – Form I-821D
- Application for Employment Authorization – Form I-765
- Worksheet – Form I-765WS

4.3.1.4 - FOREIGN NATIONAL (04/03/2023)

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence or second home.

Foreign Nationals are not eligible under Prime Ascent Plus, Prime Ascent, or Credit Ascent matrix.

Foreign Nationals are eligible under the following matrices:

- Foreign National (DSCR - Investment properties)
- Investor Solutions 5-8 unit or 2-8 unit mixed-use properties
- Investor Solutions Cross Collateral

Citizens and individuals from OFAC sanctioned countries including Russia and Belarus are not eligible under the Foreign National product or any other product.

FOREIGN RESIDENCY

A foreign national borrower must evidence their primary residence for the country issuing their Passport. Foreign National borrowers may not occupy the subject property as a primary residence.

- A complete loan application (FNMA Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.
- The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application e.g., lease agreement, utility bill, financial statement.
- The Borrower Contact Consent Form is required.

AUTOMATIC PAYMENT AUTHORIZATION (ACH) (06/21/2021)

Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

FOREIGN NATIONAL PROGRAM SPECIFIC DOCUMENTATION REQUIREMENTS (08/29/2022)

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

  Model Apostille forms can be found on the following link: https://www.hcch.net/en/instruments/specialised-sections/apostille

- Power of Attorney (POA) is not allowed.

QUALIFYING U.S. CREDIT FOR FOREIGN NATIONAL BORROWERS (07/10/2023)

- For foreign national borrowers with a valid Social Security number, a credit report should be obtained. Requirements found in the Credit section of this guide apply.
- Restrictions when qualifying with U.S. credit:
  - Minimum Credit Score: 680
  - Investment property only

QUALIFYING FOREIGN CREDIT FOR FOREIGN NATIONAL BORROWERS (07/10/2023)

- Foreign national borrowers without qualifying U.S. credit (Including borrowers without a valid Social Security number and borrowers with or without an Individual Tax Identification Number) must provide evidence of two (2) open tradelines reporting for two (2) years with activity in the most recent 12 months. No derogatory credit history is permitted within the 2-year history under review. ANY combination of the following is acceptable to arrive at the tradeline requirement:
  - Tradelines evidenced via a U.S. credit report; AND/OR
  - Alternative Tradelines consisting of two of the following:
    - Credit Reference letter(s) from a verified financial institutions in the borrower's country of origin
      - A reference letter must be from an internationally known financial institution.
      - Each letter of reference must state the type and length of the relationship, how the account is held, payment amount, outstanding balance and status of account including a minimum 12-month payment history.
      - A single reference source may provide verification of multiple accounts. Individual account detail must be provided.
      - The letter must mention the borrower by name.
      - Name, title & contact information of the person signing the letter must be included.
      - Currency must be converted to U.S. Dollars and signed and dated by certified translator.
      - All documents must be translated into English.
    - Credit Card Statements – minimum of twelve (12) recent credit card statements reflecting a timely payment history.

HOUSING HISTORY – FOREIGN NATIONAL (04/03/2023)

A housing history for the borrower's primary residence is not required. Refinance transactions (including cash out) require the most recent 12-month housing history for the subject property.

FOREIGN NATIONAL INCOME (04/03/2023)

- DSCR Income Doc Type – See Section 5.4.0 Debt Service Coverage (Investment Property) for specific criteria.

FOREIGN NATIONAL ASSETS

RESERVES

Twelve (12) months of reserves are required. Reserves may be reduced to six (6) months with a 5% LTV reduction.

ASSETS HELD IN FOREIGN ACCOUNTS (07/10/2023)

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. These funds must be transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC.

- Documenting Assets Held in Foreign Accounts:
  - Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table

- A copy of the most recent statement of that account.
- See the 5.2.2 - Asset Documentation section of this guide for eligible sources and types of assets.

GIFT FUNDS

Gift funds are not allowed.

4.3.2 - NON-OCCUPANT CO-BORROWERS (12/12/2022)

- Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.
- When non-occupant income is used, a 5% LTV reduction from the program maximum is required.
- The non-occupant borrower's income is limited to Standard Documentation only.
- Borrower(s) and co-borrower(s) must complete and sign a Non-Occupant Co-Borrower Certification similar to the example of a Non-Occupant Co-Borrower Certification in this guide.
- Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).
- Cash out transactions not allowed.
- The non-occupant co-borrower must be included on title of the subject property.

4.3.3 - FIRST-TIME HOME BUYERS (07/10/2023)

An individual is to be considered a first-time home buyer who (1) is purchasing the security property; and (2) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the security property. Note: An individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.
- 12-month rental history, reflecting 0x30, documented per Section 5.1.4 Housing History.
- Individuals living rent free eligible, see additional restrictions in Section 5.1.4.3 Living Rent Free.

4.3.4 - INELIGIBLE BORROWERS

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity

Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

4.3.5 - TITLE VESTING AND OWNERSHIP (07/10/2023)

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see Section 5.5.5 Leasehold Properties

Title must be in the borrower's name (owner-occupied property) at the time of application for refinance transactions.

Eligible forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter vivos revocable trust
- Illinois land trusts

Ineligible forms of vesting are:

- Land trusts
- Blind trusts
- IRAs

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 (2) or more)
- An institutional trustee that customarily performs trust functions in, and is 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, **or**
  - A copy of the Trust Agreement.
- 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 the following:
    - The trust is revocable.
    - The borrower is the settler 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 trustee
      - The borrower
      - The settler
      - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

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

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

- Restricted to investment properties only.
- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a US State.
- Any business structure is limited to a maximum of four (4) owners or members.
- Personal guaranties (full recourse) must be provided by members representing at least 50% ownership of the entity. A Personal Guaranty form is available on the Verus website: www.verusmc.com.
- Each Entity member providing a personal guaranty (full recourse) must complete a FNMA Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the FNMA Form 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- No Correspondent Seller 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.
- The following Entity documentation must be provided:
  - Limited Liability Company
    - Entity Articles of Organization or Partnership
    - Certificate of Good Standing or equivalent
    - Foreign LLC Certificate of Good Standing or equivalent if entity not formed in subject property state
    - Certificate of Authorization for the person executing all documents on behalf of the Entity. The authorization may be determined in an Operating Agreement or other corporate documents. If not, a Borrowing Certificate is required.
      - Borrowing Certificate (LLC Borrowing Certificate - Single Member or LLC Borrowing Certificate - Multiple Member)
    - Corporate documents that contain a list of owners, title, and ownership percentage, e.g., organization structure
    - Tax Identification Number (Employer Identification Number - EIN)
      - Single Member LLC may use EIN or the guarantor social security number
      - All multi-member LLCs must have an EIN
  - Corporation
    - Filed Certificate/Articles of Incorporation (and all amendments)
    - By-Laws (and all amendments)
    - Certificate of Good Standing (Issued by the Secretary of State (SOS) where the Corporation is incorporated)
    - Tax Identification Number (EIN)
    - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
    - Receipt of current year franchise tax payment or clear search
  - Partnership
    - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
    - Partnership Agreement (and all amendments)
    - Certificate of Good Standing (Issued by the SOS where the partnership is registered)
    - Tax Identification Number (EIN)
    - Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual(s):
  - Loan Application (FNMA Form 1003)
    - Completed for each member of the Entity providing a guarantee.
    - Section labelled "Title will be held in what Name(s)" should be completed with ***only*** the LLC name.
    - Signed by Individuals
  - Personal Guaranty
    - Completed for each member of the entity providing a guarantee.
    - The guaranty should be executed at loan closing and dated the same date as the Note.
    - Personal Guaranties from community property states (AK, AZ, ID, LA, NM, TX, WA, WI) must be accompanied with a Spousal Consent to Pledge. See Spousal Consent Form.
- Signed by the authorized signer for the entity:
  - Disclosures (e.g., GFE, TIL, ECOA)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

4.3.5.1 - EXAMPLES - 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: JJ Investors, LLC by James Johnson, Single Member of LLC

Note, Security Instrument, and all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson

By: James Johnson

Title: [Authorized Signatory]

SAMPLE 2:

Borrower: JJ Investors, LLC, by James Johnson and Jane Nelson, two Members of LLC;

Both Members are Authorized Signatories of LLC.

Note, Security Instrument, and all Riders:

Signature Block

JJ INVESTORS, LLC a [_____] limited liability company

James Johnson,

By: James Johnson

Title: [Authorized Signatory]

and

JJ INVESTORS, LLC a [_____] limited liability company

Jane Nelson

By: Jane Nelson

Title: [Authorized Signatory]

4.3.5.2 - POWER OF ATTORNEY (08/29/2022)

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents;
- The Borrower who executed the POA signed the initial FNMA Form 1003;
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- Not eligible for cash-out transactions or with Foreign National borrowers.

4.3.6 - OCCUPANCY TYPES (12/13/2021)

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
  - Restricted to one-unit dwellings
  - Must be suitable for year-round occupancy
  - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement.
- Investment Property – An investment property is owned but not occupied by the borrower.

4.3.7 - BORROWER STATEMENT OF OCCUPANCY (05/02/2022)

The borrower must acknowledge the intended occupancy of the subject property ("Primary Residence", "Second Home", or "Investment") by completing and signing the appropriate sections of the "Occupancy Certification" found in the Occupancy Certification of this guide.

4.3.8 - BORROWER STATEMENT OF BUSINESS PURPOSE (DSCR - INVESTMENT PROPERTY) (05/02/2022)

All DSCR transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose form in this guide. Verus reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common occupancy red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower's primary residence.
- The borrower is a first-time homebuyer and currently living rent free or renting his/her primary residence.
- Subject property could reasonably function as a second home.
- Borrower documents show subject property as current residence.

4.4.0 - TRANSACTION TYPES (08/29/2022)

4.4.1 - ELIGIBLE TRANSACTIONS (12/12/2022)

4.4.1.1 - PURCHASE (12/12/2022)

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV is based upon the lesser of the sales price or appraised value.
- Assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
- Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule. See Section 5.5.2.1 HPML Appraisal Rule ("Property Flipping") for details.
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
  - The purchase contract cannot be expired
  - Borrower as the purchaser of the property
  - Seller as the vested owner on title
  - Correct sales price
  - Amount of down payment
  - Closing dates
  - Concessions and seller contributions

4.4.1.2 - RATE/TERM REFINANCE (08/29/2022)

Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
  - Closed-end loan, at least 12 months of seasoning has occurred.
  - HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.

- If the subject property was acquired greater than six (6) months from application date, the appraised value will be used to determine LTV/CLTV. If the property was acquired less than or equal to six (6) months from the application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
- Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

4.4.1.3 - CASH-OUT (08/29/2022)

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrices for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of 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. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
  - Primary Residence or Second Home properties listed for sale in the past six (6) months.
  - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in Section 4.4.7 Prepayment Penalty are met.
  - There has been a prior cash-out transaction within the past six (6) months
  - Payoff of a Land Contract/Contract for Deed.
  - Non-Owner Occupied investment property transactions (Investor DSCR) when proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
- Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.
  - A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.
  - For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
  - If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
  - Cash-out seasoning of six (6) months or less is allowed with the following restriction:
    - The Seller has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

4.4.1.4 - DELAYED FINANCING (12/13/2021)

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
  - The original purchase transaction was an arms-length transaction.
  - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.

- The preliminary title search or report must confirm that there are no existing liens on the subject property
- The transaction is considered cash-out; cash-out pricing adjustors apply
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

4.4.2 - LISTING SEASONING (07/10/2023)

For all refinances:

- **Primary/Second Home:**
  - Properties previously listed for sale must be seasoned at least six (6) months from the listing contract expiration date to the loan application date.
  - The value will be based on the lesser of the lowest list price or appraised value.
- **Investment Properties:**
  - A listing expiration of less than six (6) months is permitted with a prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date.
  - The value will be based on the lesser of the lowest list price or appraised value.

4.4.3 - NON-ARM'S LENGTH TRANSACTIONS (12/12/2022)

4.4.3.1 - NON-ARM'S LENGTH TRANSACTION (12/12/2022)

Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.

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 non-arm's length 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 (verification of the Seller's mortgage [VOM]).

4.4.3.2 - ELIGIBLE NON-ARM'S LENGTH TRANSACTIONS (08/29/2022)

- Renter(s) purchasing from landlord.
  - 24 months of cancelled checks to prove timely payments are required.
  - A verification of rent (VOR) is not acceptable.
- Purchase between family members.
  - Full Documentation only.
  - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
  - Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.

4.4.3.3 - NON-ARM'S-LENGTH RESTRICTIONS (04/03/2023)

- Borrower to provide verification of earnest money deposit.
- Maximum LTV/CLTV of 80%.
- For-Sale-By-Owner (FSBO) transactions must be arm's-length.
- Employer to employee sales or transfers are not allowed (e.g., newly constructed properties).

- Property trades between buyer and Seller are not allowed.
- Commission earned by buyer/borrower cannot be used for down payment or monthly PITIA reserves.

4.4.4 - INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS) (04/03/2023)

Owner Occupied

- Maximum contribution:
  - 6% for LTVs ≤ 80%
  - 4% for LTV > 80%

Non-Owner Occupied

- May not exceed 3%

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.

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., 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.

4.4.5 - ESCROWS – IMPOUND ACCOUNTS (07/10/2023)

Escrow funds/impound accounts are required to be established for all HPML loans purchased by Verus. Escrows may be established for funds collected by the seller, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and other insurance) premiums, water/sewer taxes and ground rents.

Escrow funds/impound accounts can be waived, with the exception of Flood Insurance Premium, for non-HPML loans or exempt business purpose loans when the following requirements are met:

- LTV less than or equal to 80%
- Minimum decision credit score of 720
- Minimum 12-months of reserves
- Pricing adjustment may apply, see rate sheet

4.4.6 - SECONDARY FINANCING

Secondary financing must be institutional. Sellers must employ reasonable underwriting policies and procedures designed to determine whether the borrower has applied for another credit transaction secured by the same dwelling. 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.

4.4.7 - PREPAYMENT PENALTY (07/10/2023)

Investment Property Only
Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- Six (6) months of interest – The prepayment charge will be equal to six (6) months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12-month time period. (Not eligible under cross-collateral, 5-8 unit, or 2-8 mixed use.)
- A fixed percentage of no less than 3% - The prepayment charge will be equal to a fixed percentage 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.
- Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) – The prepayment charge will be equal to the percentage in effect 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.

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

The following state restrictions apply:

- Prepayment penalties are not allowed in AK, KS, MI, MN, NM, OH and RI.
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ.
- Pennsylvania – Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For calendar year 2023 the base figure amount is $301,022.
- Only declining prepayment penalty structures are allowed in MS.

SECTION 5 - CREDIT

5.1.0 - CREDIT REPORTS (04/25/2022)

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

The credit report used to evaluate a loan 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.

5.1.1 - GAP CREDIT REPORTING

A gap credit or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio. Business purpose DSCR transactions are excluded from this requirement.

5.1.2 - FRAUD REPORT (04/03/2023)

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrowers/Guarantors, Sellers, Brokers, Loan Officers, and Real Estate Agents) must be included in the fraud report performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the findings report from the vendor must be provided in the loan file with all "high" alerts, or "red flags" addressed and/or cleared by the seller (lender).

Sellers may clear "high" alerts or "red flags" directly through the vendor solution or with an attestation. The attestation must address each "high" alert, or "red flag" noted in the fraud report. Verus may request additional documentation to address high fraud risk.

Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

5.1.3 - CREDIT INQUIRIES (06/21/2021)

The creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained, DSCR transaction excluded. If new credit was extended, borrowers must provide documentation on the current balance and payment. If no credit was extended, borrower must state the purpose of the inquiry. Sellers must inform borrowers that they are obligated to inform the Seller of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

5.1.4 - HOUSING HISTORY (12/12/2022)

A 12-month housing payment (mortgage or rental) history is required for all Verus programs. A borrower's combined mortgage or rental history is used for program eligibility.

5.1.4.1 - MORTGAGE VERIFICATION (12/12/2022)

Most recent 12-month mortgage history is required for all financed properties owned by the borrower (with the exception of the DSCR program – See 5.4.1.4 Housing History - DSCR for Housing History requirements).

Current means the borrower has made all mortgage payments up to and including the month prior to the note date. If the credit report does not reflect the current payment history, one of the following additional documents is required:

- A loan payment history from the servicer or third-party verification service,
- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, or
- A verification of mortgage.

For properties owned free and clear, a property profile report or similar document showing no liens against the property should be included in the credit file. Any balloon notes with an expired maturity date exceeding 30 days requires an extension to avoid being counted as delinquent.

If a borrower's mortgage history is not reported on the credit report, a VOM must be provided. Any VOM completed by a private-party Seller, or any non-institutional lender must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, mortgage statements including payment history, etc.).

In addition, if the subject transaction is secured by a non-institutional lender, the mortgage payoff statement should be reviewed to determine that no late fees or delinquent interest is included in the payoff amount. For properties owned free and clear, a property profile report or similar document showing no lien against the property should be provided in the credit file.

Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

5.1.4.2 - RENTAL VERIFICATION (04/25/2022)

A 12-month rental history is required for all Verus programs when the borrower is renting their current primary residence. The following documents are required:

- A verification of rent (VOR)
  - A third-party VOR is required for any file when the borrower is currently renting.
  - Any VOR completed by a private party or any non-institutional landlord must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, rental statements including payment history, etc.).

5.1.4.3 - LIVING RENT-FREE (04/03/2023)

Borrowers who live rent-free or without a complete 12-month housing history are allowed, with the following restrictions:

- DTI may not exceed 43%
- Any available portion of a 12-month housing history must be paid as agreed.
- Borrower(s) who own their primary residence free and clear are not considered living rent-free.
- Borrower(s) who sold a primary residence within the past six (6) months and are currently residing rent-free until subject transaction closes are not considered living rent-free.
- DSCR transactions eligible if borrower meets the minimum experience requirements listed in Section 5.4.1.1 Borrower Experience.

5.1.4.4 - DEPARTURE RESIDENCE (07/10/2023)

- If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with the following:
  - The executed sales contract for the current residence, and
  - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be offset using 75% of the lower of actual or market rent. The rental income must be documented with all the following:
  - Market Rent Analysis, Single Family Comparable Rent Schedule (FNMA Form 1007)
  - Copy of a current lease
  - Evidence of proof of receipt of damage deposit and first month's rent.

5.1.5 - CONSUMER CREDIT (06/21/2021)

5.1.5.1 - INSTALLMENT DEBT

Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

5.1.5.2 - LEASE PAYMENTS

Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

5.1.5.3 - STUDENT LOANS

If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Seller may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the Seller must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Seller may calculate:

- a payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- a fully amortizing payment using the documented loan repayment terms.

5.1.5.4 - DEFERRED INSTALLMENT DEBT

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Seller must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

5.1.5.5 - REVOLVING DEBT

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI ratio calculation.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, the Seller must use 5% of the outstanding balance to be included in the DTI ratio calculation.

Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

All mortgage accounts must be current at application and remain paid as agreed through closing.

5.1.5.6 - OPEN 30-DAY CHARGE ACCOUNTS (12/13/2021)

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

5.1.5.7 - TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

5.1.5.8 - BUSINESS DEBT

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of cancelled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

5.1.5.9 - CONTINGENT LIABILITY ON COSIGNED OBLIGATIONS (DEBT PAID BY OTHERS)

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If the Seller obtains proof that the borrower is not the party who is repaying the debt, the Seller may exclude the debt. In order to exclude debts from the borrower's DTI ratio, the Seller must obtain the most recent 12 months'

canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.

5.1.5.10 - LOANS SECURED BY FINANCIAL ASSETS (04/03/2023

When a borrower uses his or her financial assets—life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.—as security for a loan, the borrower has a contingent liability.

The seller is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the seller obtains a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy financial reserve requirements, the lender must reduce the value of the asset (the account balance, in most cases) by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.

Payment on any debt secured by virtual currency is an exception to the above policy and must be included when calculating the debt-to-income ratio.

5.1.5.11 - CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS (07/10/2023)

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250, and accounts that total more than $2,000, must be paid in full prior to or at closing. See below for exceptions:
  - Medical collections may remain open.
  - A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
  - Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
  - For DSCR transactions, charge-offs and collections can be ignored unless they are title impacted.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

5.1.5.12 - CONSUMER CREDIT COUNSELING SERVICES

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

5.1.5.13 - JUDGMENT OR LIENS

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

5.1.5.14 - INCOME TAX LIENS (06/21/2021)

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

5.1.5.15 - DISPUTED ACCOUNTS

When the credit report contains tradelines disputed by the borrower, the credit file should be documented with a credit supplement showing the account(s) have been resolved. If the disputed account balance is $250 or less, the payment can be included in the total debt calculation and the account can remain in dispute. The total aggregate balance of accounts in dispute remaining unresolved can't exceed $2,000.

5.1.6 - BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

5.1.7 - FORECLOSURE SEASONING

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

5.1.8 - SHORT SALE / DEED-IN-LIEU SEASONING

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details.

In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.

5.1.9 - FORBEARANCE, MODIFICATION, OR DEFERRALS (04/03/2023)

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12 Months from Note Date:

Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed under all programs including Prime Ascent.

Within 12 Months of Note Date:

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction will be treated as a 0x90x12 under Credit Ascent Housing History for eligibility and pricing.
- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction are not eligible under Prime Ascent Plus, Prime Ascent, Investor Solutions – DSCR, 5-8 multi/2-8 mixed use, and/or Cross Collateral.
- Refer to Investor Solutions – DSCR and Foreign National Investment matrix for applicable Housing History and Credit Event Seasoning restrictions related to these programs.

5.1.10 - CREDIT SCORE (04/03/2023)

Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. To determine a borrower(s) credit score, use the lower of two (2) or middle of three (3) credit scores.

For a loan file with one borrower, that borrower's score is the decision credit score.

For loan files with multiple borrowers:

- Standard and Alt Documentation: The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit Score. When both borrowers are self-employed and jointly own the business, the highest score amongst the borrowers is used as the decision credit score.
- DSCR Documentation: Determine a decision credit score for each borrower/guarantor (lower of two or middle of three), use highest decision credit score amongst all borrowers/guarantors to determine loan eligibility.
- Asset Utilization: Use the lowest score amongst all borrowers who will be on the loan as the decision credit score.

5.1.11 - TRADELINES (12/12/2022)

5.1.11.1 - STANDARD TRADELINES (12/12/2022)

Prime Ascent Plus / Prime Ascent / Credit Ascent: If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradeline requirements outlined below.

Investor Solutions – DSCR: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The **minimum tradeline requirements** are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history of at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred

The following are not acceptable to be counted as tradelines:

- "non-traditional" credit as defined by Fannie Mae®
- self-reported tradeline
- any liabilities in deferment status
- accounts discharged through bankruptcy
- authorized user accounts
- charge-offs
- collection accounts
- foreclosures
- deed-in-lieu of foreclosure
- short sales
- pre-foreclosure sales

5.1.12 - OBLIGATIONS NOT APPEARING ON CREDIT REPORT

5.1.12.1 - HOUSING AND MORTGAGE-RELATED OBLIGATIONS (04/25/2022)

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned (REO) section of the FNMA Form 1003 loan application. These obligations must be verified (subject to the program criteria) using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

5.1.12.2 - CURRENT DEBT OBLIGATIONS, ALIMONY, AND CHILD SUPPORT

A Seller may use a credit report to verify a borrower's current debt obligations, unless the Seller has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae® guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower's recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If the Seller exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

5.2.0 - ASSETS (06/21/2021)

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

5.2.1 - ASSET REQUIREMENTS (09/07/2021)

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90 days of the loan note date.

5.2.2 - ASSET DOCUMENTATION (07/10/2023)

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
  - Statements must include the following:
    - Name of financial institution
    - Reflect borrower as the account holder (Funds held jointly with a non-borrowing spouse are considered 100% of the borrower's funds)
    - Account number
    - Statement date
    - Time period covered by the statement
    - Available balance in U.S. dollar denomination
  - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either http://www.xe.com or the Wall Street Journal conversion table.
- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.
- Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).
- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, certificates of deposit, stocks, bonds, and 401(k) accounts. When qualifying the borrower, monthly payments on loans secured by non-financial assets must be included in the debt-to-income calculation for non-DSCR transactions. When loans are secured by the borrower's financial assets, monthly payments for the loan do not have to be considered as long-term debt. See Section 5.1.5.10 Loans Secured by Financial Assets for complete details.

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income. Large deposits do not need to be sourced on Investor Solutions – DSCR loans.

- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets. For downpayment and closing costs, if funds haven't been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets. The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business.
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets

- Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
  - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
  - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30 days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances

5.2.3 - RESERVES (07/10/2023)

- Verus loan program requires minimum reserves as outlined on the Verus Loan\LTV matrices.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements.
- Reserve requirements are waived for Rate-And-Term Refinance transactions (Applies to loans under Prime Ascent, Credit Ascent and Investor Solutions secured by a 1-4 unit property) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an Interest Only loan, the reduction is based on the amortizing payment used for loan qualification.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.
- Gift funds may not be used to meet reserve requirements.

5.2.4 - GIFT FUNDS

Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:

1. For Owner-occupied properties a 5% down payment has been made by the borrower from their own funds.
   - 100% Gift Funds are allowed for Prime Ascent and Credit Ascent using Standard Doc or Alt Doc 24-month Bank Statement loans only, with a maximum LTV of 75%. Borrower(s) must meet both reserve and residual income requirements.
2. For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.

5.2.4.1 - ELIGIBLE DONORS AND DOCUMENTATION (12/12/2022)

A gift can be provided by:

- a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or

- a fiancé, fiancée, or domestic partner.
- For any gift provided by a non-US citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list.

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.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

VERIFYING DONOR AVAILABILITY OF FUNDS AND TRANSFER OF GIFT FUNDS (06/21/2021)

The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- a copy of the donor's check and the 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
- a settlement statement showing receipt of the donor's check.

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.

- Gift funds may not be used to meet reserve requirements.
- Gift of Equity allowed for Primary Residence or Second Homes. Must meet all other guidelines for Gift Funds.

5.3.0 - INCOME

5.3.1 - INCOME ANALYSIS (04/25/2022)

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

5.3.1.1 - EMPLOYMENT/INCOME VERIFICATION (04/03/2023)

- A minimum of two (2) year employment history for both wage/salary or self-employment, is required to be documented on the loan application (FNMA Form 1003). When the borrower has less than a two-year history of employment, the Seller should document positive factors to offset the shorter employment history, such as education or training.
- Any gaps in employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
  - Sole proprietorship
  - Limit Liability Company (LLC)
  - Partnerships
  - S-Corporation
  - Corporation
- If any borrower is no longer employed in the position disclosed on the FNMA Form 1003 at the Verus purchase date, Verus will not purchase the loan.

5.3.1.2 - EARNINGS TRENDS (04/03/2023)

When 24 months of income are analyzed for qualification, year over year income amounts must be compared using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- Stable or increasing: Defined as annual income that is equal to, greater than, or less than 20% below the prior year's income. The income amounts will be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income of 20% or more on a year over year basis, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income will be used.

5.3.2 - DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Verus guidelines and the inclusion of all income and liability expenses. See the most recent program matrix for applicable details.

The DTI ratio consists of two components:

1. Total monthly debt obligations, which includes the qualifying payment for the subject property mortgage loan and other long-term and significant short-term monthly debts.
2. Total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage.

The subject property mortgage loan is defined as the borrower's housing payment and includes PITIA and/or principal and interest on any subordinate lien financing.

The property taxes, Homeowner's Insurance (HOI), Flood Insurance, and HOA dues of a primary residence that is owned free and clear will be considered in the borrower's housing history determination and must remain current throughout the transaction.

The maximum DTI ratio for all income documentation types is 50%. A DTI of up to 55% is allowed in some cases for a primary residence, with 24-months of income documentation, and with a minimum residual income of $3,500. See the Product Matrices for specific program restrictions.

5.3.3 - RESIDUAL INCOME (07/10/2023)

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below; $250 is added for the first dependent and $125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.

OCCUPANCY	MAXIMUM LTV	MINIMUM RESIDUAL INCOME
Prime Ascent Plus – Primary	90%	$2,500
Prime Ascent Plus – Second	75%	$2,500
Prime Ascent – Primary	90%	$2,500
Prime Ascent – Primary – DTI > 50%	80%	$3,500
Prime Ascent – Second	80%	$2,500
Credit Ascent – Primary	85%	$1,250
Credit Ascent – Second	80%	$2,500

5.3.4 - DOCUMENTATION OPTIONS (04/25/2022)

Standard and Alt Doc income documentation options are available. In addition to wage/salary income, Standard documentation includes various other types of income. See 5.3.5.4 - Other Sources of Income for documentation requirements. Income should be calculated and documented according to Verus guidelines. If a specific source of income is not referenced in the Verus Guide, the Fannie Mae® guidelines for that income source may be used.

5.3.4.1 - IRS FORM 4506-C

A signed copy of IRS Form 4506-C is required in every standard documentation credit file. See specific income documentation type if transcripts are required.

If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of “Unable to Process” or “Limitation”
- Proof of identification theft, as evidenced by one (1) of the following:
  - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039).
  - A copy of the notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s personal tax return (Form 1040). Validation of prior tax year’s income (The income for the current year must be in line with prior years.

5.3.4.2 - TAXPAYER FIRST ACT

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. "Tax return information" is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if a Seller or servicer obtains tax return information during the origination or servicing of a mortgage loan, the Seller or servicer must obtain express consent from the taxpayer to be able to share the tax information with another party. Such sharing would extend to actual or potential owners of the loan, such as Verus Mortgage Capital or any other loan participant.

To ensure compliance with the law, the Taxpayer Consent Form has been created. To comply, the Seller must include either the Verus version or their own version of the document in all loan files that include tax returns.

5.3.5 - STANDARD DOCUMENTATION

The Standard Income Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

5.3.5.1 - RESTRICTIONS (04/03/2023)

- See the Verus Matrices for maximum LTV/CLTV and DTI.
- A minimum credit score of 600.
- A minimum two (2) year history of receipt of wage/salary or self-employment income is required.

5.3.5.2 - STANDARD INCOME DOCUMENTATION (24 OR 12 MONTHS) (08/29/2022)

Eligibility and pricing differences exist for the 24 or 12-month documentation options, see Loan/LTV Matrices and rate sheets for details.

WAGE/SALARY INCOME (07/10/2023)

- The borrower's most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Employment documentation provided by a 3rd party – (The Work Number®)
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, the most recent one (1) or two (2) years of tax returns should be provided. The definition of "most recent" is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.

SELF-EMPLOYMENT INCOME (04/03/2023)

- Tax transcripts for the most recent one (1) or two (2) years. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower.
  Or
- The most recent one (1) or two (2) years of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.

  - Evidence of filing may include one of the following:
    - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
    - E-mail provided from the software used to prepare the return showing successful submission of the return to the IRS.
    - If evidence of filing is not provided, tax transcripts for personal and corporate (IRS Form 1120) returns are required.
- If the borrower pays themselves wage income, a YTD paystub must be included in the file.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion
  - Business use of home
  - Amortization/casualty loss
  - Ordinary income (loss) from other partnerships
  - Nonrecurring other (income) loss
  - Any expense(s) that can reasonably be documented to be one-time and non-recurring
  - Net operating loss carryforwards from years prior to the tax returns provided
- If the tax return date exceeds 90 days from the note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date and two (2) business checking account statements for the two (2) most recent months reflected on the P&L. The P&L may be either: prepared by a 3rd party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns; the P&L is used to determine the stability of that income. The bank statements for the two (2) most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year(s) tax returns.

5.3.5.3 - EMPLOYMENT STATUS (08/29/2022)

In all cases, the borrower's current employment status is required. Employment status can be established as follows:

Wage/salary borrowers:

- A YTD paystub dated within 30 days of Note date, or
- A verbal VOE dated no more than 10 calendar days prior to Note date. Sellers may use any type of verification form. The VOE should include the following data:
  - Borrower name
  - Loan ID number
  - Current position
  - Verification that borrower's employment is currently active
  - Employer name/company name
  - Employer contact name and title
  - Name of individual who completed the VOE
  - Business phone number must be independently verified, or
- A verification via e-mail exchange with the borrower's current employer dated no more than 10 calendar days prior to Note date. Due diligence must be conducted to confirm the e-mail address for the employer is accurate. The VOE should include the following data:
  - Work e-mail address of the individual contacted at the employer
  - Borrower name
  - Current position
  - Current employment status

Self-Employed Borrowers:

- If the most recent tax return in the file is dated within 90 days of the note date, no additional verification required.
- If the tax return exceeds 90 days of the note date, a YTD Profit & Loss Statement (P&L) dated within 90 days of note date, along with the two most recent months of bank statements.

5.3.5.4 - OTHER SOURCES OF INCOME

ALIMONY OR CHILD SUPPORT

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:

- Copy of final divorce decree or final separation agreement describing the payment terms.
- Any other type of written legal agreement or court decree describing the payment terms.

AUTO ALLOWANCE

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

CAPITAL GAINS

Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D.
- Third-party documentation to evidence that additional assets may be sold to support the qualifying income.
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

Capital losses do not have to be considered.

DISABILITY INCOME – LONG TERM

Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- eligibility for the benefits,
- amount and frequency of payments, current proof of receipt,
- and if there is a contractually established termination or modification date.

EMPLOYED BY A RELATIVE

Income for borrowers who are employed by a relative must be verified using Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years
- W-2s for the most recent two (2) years
- Paystub(s) covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

EMPLOYMENT OFFERS OR CONTRACTS

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated prior to the Note date.

FOREIGN INCOME (09/07/2021)

Foreign income is income earned by a borrower (US Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income.
- Standard documentation requirements based upon the source and type of income.
- Any documents not in English or US currency must be translated.

FOSTER CARE INCOME (08/29/2022)

Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income.
- Documentation verifying that the borrower has received foster care income for a minimum one-year period.
- Qualifying income is based upon the current amount received.

HOUSING/PARSONAGE INCOME

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns are required.
- Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained.
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may not be used to offset the monthly housing payment.

INTEREST/DIVIDENDS

Verify the borrower's ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the 4.2.0 - Age of Document Requirements section.

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
- Develop an average of the income received for the most recent two (2) years.
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

NON-TAXABLE INCOME (12/13/2021)

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the seller may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.

NOTES RECEIVABLE INCOME

Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12 months using either cancelled checks, bank statements, or federal tax returns.
- Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income.

PENSION, RETIREMENT, ANNUITY (07/10/2023)

If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage Note. In addition, the borrower must have unrestricted access to the accounts without penalty. Document regular and continued receipt of the income with the following:

- Pension/Social Security/VA
  - Award letter(s) from the organizations providing the income, or
  - Two prior years 1099-R will be acceptable in lieu of award letter, and
  - 30-days current proof of receipt
- 401K/Keogh/IRA
  - Account Statement(s) reflecting available balance for withdrawals.
  - One year 1099-R forms,
  - One month proof of current receipt.
  - Minimum history of withdrawals for 12-months required.

RENTAL INCOME (06/21/2021)

Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying

- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial
- Application of Rental Income:
  - Primary Residence
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - Investment Property
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
    - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

RESTRICTED STOCK UNITS (08/29/2022)

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years and is verified it will continue for three (3) years.
- RSU income is calculated using the past two (2) year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.

- Borrowers must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves.

The following documentation is required:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income.
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
  - Tax returns for the last two (2) years, reflecting RSU income.
  - Year-end paystubs reflecting the RSU payout.
  - An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

ROYALTY INCOME

- Obtain copies of the following:
  - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
  - The borrower's most recent signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

TEACHER INCOME

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

TIP INCOME (08/29/2022)

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for at least two (2) years.

Documentation will be based upon the documentation type selected (12 or 24 months). Obtain one (1) or two (2) years of federal income tax returns along with a year-to-date paystub. Income should be averaged over the time-period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

TRUST INCOME (09/07/2021)

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:

- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
- If the borrower creates the trust as trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements). Income will be calculated using asset utilization methodology.
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

UNEMPLOYMENT BENEFIT INCOME

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

VA BENEFITS

Document the borrower's receipt of Veteran Administration (VA) benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because they are offset by education expenses.

VARIABLE – OVERTIME/BONUS/COMMISSION (08/29/2022)

Variable income sources are eligible provided the borrower has a minimum 2-year history of receiving such income in the same line of work. Variable income earned for less than one (1) year may not be used for qualifying income.

Variable earnings must be averaged over the most recent one (1) or two (2) years based upon the documentation type, and include the following:

- Most recent year-to-date pay stub reflecting the variable earnings;
- W-2 forms covering the most recent 1-year or 2-year period;
- A completed Written Verification of Employment – FNMA Form 1005 detailing base, overtime, commission, or bonus earnings.

INELIGIBLE INCOME SOURCES (08/29/2022)

- Boarder income
- Educational benefits
- Gambling winnings
- Cannabis (see below)
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes

Guidelines for income derived from cannabis:

- Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership.
- Income from borrowers who are wage earners in the industry are allowed.

5.3.6 - ALT DOC - BANK STATEMENTS (04/25/2022)

Personal bank statements or business bank statements may be used to document self-employment income.

Bank statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating in the Fannie Mae Day 1 Certainty® process.

The Verus Business Bank Statement calculator is available for download from the www.verusmc.com website.

5.3.6.1 - RESTRICTIONS

APPLIES TO PERSONAL/BUSINESS BANK STATEMENTS AND P&L METHODS (07/10/2023)

- See the Verus Matrices for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
  - CPA Letter, or
  - Business License, or
  - Bank statement from 24 or more months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- Minimum credit score is 600.
- Nonprofit Entity not eligible

- Funds/Deposits in a IOLTA (Trust) ineligible source
- Tax returns and 4506-C are not required for the bank statement program.
- Alt Doc income may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as wage income from spouse or domestic partner. When wage income is combined with Alt Doc, a tax return is not required for the standard full income documentation. If the 4506-C form is provided, Box 8 should be checked to obtain a transcript of W-2 earnings.

5.3.6.2 - BANK STATEMENT OPTIONS/INCOME ANALYSIS (07/10/2023)

In addition to the factors described in the 5.3.1 – Income Analysis section of this guide, Sellers should consider the following:

- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

PERSONAL BANK STATEMENT REVIEW

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements

- 24 or 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.
- Most recent two (2) months of BUSINESS bank statements.
- Verify that the borrower owns 20% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
  - Evidence activity to support business operations.
  - Reflect transfers to the personal account.

BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW

A standard 50% expense factor will be applied to the total of eligible deposits from the co-mingled and business bank statements to determine qualifying income.

If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA/CTEC/EA letter or P&L may be used to determine qualifying income.

A co-mingled bank account is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- The borrower must be the sole owner of the business (borrower and spouse with combined 100% ownership eligible).

A business bank account is used for ongoing operations of the business and reflects the name of the business as completed on the URLA.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

Standard Expense Ratio – (50%)

Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date.

Income Calculation Method

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- Deposits x (.50) x (ownership %) / 24 or 12 = qualifying income
  - Example: $360,000 x .50 = $180,000 x 1.00 = $180,000 / 12 = $15,000

Business Expense Statement Letter

Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- An expense statement letter specifying business expenses as a percent of the gross annual sales/revenue, prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer.

Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- Deposits x (expense ratio) x (ownership %) / 24 or 12 = qualifying income.
  - Example: $360,000 x .75 = $270,000 x .50 = $135,000 / 12 = $11,250

3rd Party prepared P&L Statement

Documentation Requirements
• 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
• P&L covering 24 or 12 months (determined by the months of bank statements provided), prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer. Documentation is required to evidence the preparer's business.
Income Calculation Method
• P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
  ○ The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
  ○ Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).
• When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
  ○ Depreciation
  ○ Depletion
  ○ Amortization/casualty loss

5.3.6.3 - NON-SUFFICIENT FUNDS (12/12/2022)

Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
- Occurrences included in the analysis are subject to the following tolerances:
  - An occurrence is defined as one or more checks returned the same day.
  - If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
  - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

5.3.7 - ALT DOC – RENTAL INCOME (07/10/2023)

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

- Long Term Rental:
  - A copy of the lease(s) for the rental property.
  - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
    - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
    - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
- If the transaction type is a purchase of an investment property, and income from the subject property is considered in the underwriting, proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.
- Short Term Rental:
  - Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.
  - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property.
    - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
  - A screen shot of the online listing must show the property(s) activity marketed as a short-term rental

- Application of Rental Income:
  - Primary Residence
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - Investment Property
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.

      The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

5.3.8 - ALT DOC – CPA/EA PROFIT & LOSS STATEMENT ONLY (07/10/2023)

Profit & Loss statement prepared by a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), or a CTEC registered tax preparer. The credit file must contain documentation showing the CPA is currently licensed in their state, the EA is currently active (Screen shot of the IRS web site), or the CTEC is active (Screen shot from CTEC web site).

- 24 or 12-Month CPA, EA, or CTEC compiled P&L Statement
  - Minimum 25% business ownership required
  - 24 or 12-month (P&L) prepared/compiled and signed by a CPA (proof of CPA current state license required, or EA (proof EA currently active on IRS web site), CTEC (proof CTEC currently active on CTEC web site) dated within 30-days of the loan application, representing total business sales and expenses for the time period covered, and
  - The preparer must attest they have prepared the borrower's most recent tax return and provide the borrower's ownership percentage
  - Qualifying income is the net income from the P&L divided by the time period covered (24 or 12-months) multiplied by the borrower's ownership percentage.
  - Expenses on the P&L must be reasonable for the industry, Verus reserves the right to require additional information.
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion
  - Amortization/casualty loss

5.3.9 - ALT DOC - IRS FORM 1099 (04/03/2023)

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
  - One of the following Business expense analysis methods:
    - 90% Net Margin (10% Expense Factor), or
    - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer)
- A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the Employment section of the loan application.
- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:
  - Checks or a single check stub(s) with YTD totals if available, or
  - Bank statements (YTD).
    - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.
- The Alt Doc Loan/LTV matrix should be utilized, see the Product Matrices.

5.3.10 - ALT DOC – WRITTEN VERIFICATION OF EMPLOYMENT (07/10/2023)

A written Verification of Employment may be utilized when documenting wages/salary income. The following criteria applies:

- Two year history with the same employer is required.
- Completed FNMA Form 1005

- Minimum credit score:
  - Prime Ascent - 660
  - Credit Ascent - 660
- Primary Residence Only
- 24-month 0x30 housing history required.
- Paystubs, Tax Returns, 4506-C, or W-2's not required.
- Eligible for Prime Ascent and Credit Ascent only
  - See Loan/LTV matrix for restrictions.
- Must be completed by Human Resource, Payroll Department or Officer of the Company.
- Two (2) Months Personal Bank Statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- First-Time Home Buyer maximum LTV 70%, no gift funds allowed.
- Borrower(s) employed by family members or related individuals are not eligible.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- Other sources of income, documented using Alt Doc, are eligible and can be used to determine total household qualifying income.
  - For the borrower utilizing the WVOE, no other active employment income may be utilized, passive income such as rental income can be included.

5.3.11 - ALT DOC - ASSET UTILIZATION (09/07/2021)

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under the qualification method is waived.

5.3.11.1 - RESTRICTIONS

- See Verus Matrices for the max LTV
- Non-occupant co-borrowers not allowed
- Max 43% DTI
- Minimum 680 credit score
- Gift funds not eligible

5.3.11.2 - ASSET UTILIZATION QUALIFYING METHOD (06/21/2021)

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of $1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84. Maximum DTI 43%.

5.3.11.3 - ASSET UTILIZATION INCOME DOCUMENTATION (06/21/2021)

- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;
- Assets must be seasoned 120-days;
- Income other than Asset Utilization must be documented in accordance with the Prime Ascent program.

5.3.11.4 - ASSETS ELIGIBLE FOR DEPLETION (07/10/2023)

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:

- 100% of Checking, Savings, Money Market Accounts, and US Treasuries with maturity < 1-year;
- 100% of the cash surrender value of life insurance less any loans may be considered for assets;
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.

Eligible trust assets include:

- Assets held in a revocable trust where the trustee to the trust is the borrower.
- Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust.
- Based upon the assets held in the trust, the above asset percentages apply.

5.3.11.5 - ASSETS INELIGIBLE FOR DEPLETION (08/29/2022)

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation:
- Any assets held in the name of a business;
- Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
- Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower.

5.4.0 - DEBT SERVICE COVERAGE (INVESTMENT PROPERTY) (07/10/2023)

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: Borrower Certification of Business Purpose / Occupancy Certification.

5.4.1.1 - BORROWER EXPERIENCE

EXPERIENCED INVESTOR (07/10/2023)

- An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least one (1) year in the last three (3) years. For files with more than one borrower, only one borrower must meet the definition.
- Experience can be documented by one of the following:
  - Complete the REO schedule on the FNMA 1003 loan application, or
  - Provide a property profile report, or
  - Other 3rd party documentation

FIRST-TIME INVESTOR (07/10/2023)

First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently owns a primary residence for at least one (1) year.

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 680
- If reported, no mortgage late payments during the past thirty-six (36) months.
- Minimum of 36-months seasoning from any credit event
- Cash-out transactions not eligible
- First time homebuyers not eligible

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow but is typically offset by the value of the property securing the loan.

5.4.2 - 1-4 FAMILY RESIDENTIAL PROPERTY (12/12/2022)

5.4.2.1 - PROPERTY INCOME ANALYSIS (12/12/2022)

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

LONG TERM RENTAL DOCUMENTATION AND DSCR CALCULATION (07/10/2023)

- Purchase Transactions
  - Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.
  - If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent.
  - A vacant or unleased property is allowed without LTV restriction.
- Refinance Transactions
  - Required documentation:
    - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
    - If the lease has converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the 5% LTV reduction and use of market rent.
  - Monthly Gross Rents are determined by the higher of actual lease amount or market rent from 1007/1025. If using a higher monthly actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007 or 1025. If the actual rent exceeds the market more than 120%, the rents are capped at 120%.
  - A vacant or unleased property is allowed, and the maximum LTV allowed is restricted by 5%.
- DSCR Calculation
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the Verus Eligibility Matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

SHORT TERM RENTAL (E.G., AIRBNB, VRBO, FLIPKEY) DOCUMENTATION AND DSCR CALCULATION (07/10/2023)

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

- Short Term Rental Income – Purchase and Refinance Transactions
  - A 5% LTV reduction applies to all transactions using short term rental income when the DSCR is >= 1.00 (Excludes Condo Hotel projects). When the DSCR is < 1.00, the sub-1.00 DSCR Eligibility Matrix must be used.
  - DSCR calculation:
    - Monthly gross rents based upon a 12-month average to account for seasonality required.
    - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
    - (Gross Rents * .80) divided by PITIA = DSCR.
- Any of the following methods may be used to determine gross monthly rental income:
  - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
  - The most recent 12-month rental history statement from the 3rd party rental/management service.
    - The statement must identify the subject property/unit, rents collected for the previous 12 months, and all vendor management fees. The rental income will exclude all vendor or management fees.
  - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
  - AIRDNA Rentalizer and Overview reports must meet the following requirements:
    - Rentalizer
      - Only allowed for purchase transaction
      - Forecast Period must cover 12 months from the Note date
      - The occupancy rate must be > 60%
      - Must have five (5) comparable properties, all within the same ZIP code
      - Must be similar in size, room count, amenities, availability, and occupancy
    - Overview report
      - Market grade by zip code
      - Must be B or greater
      - Income calculation
        - Annual revenue / 12

5.4.2.2 - DEBT SERVICE COVERAGE RATIO (DSCR) (08/29/2022)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest-only loans) of the subject property. See the Verus Eligibility matrix for required Debt Service Coverage Ratios. See Section 4.1.2 for further guidance regarding Qualifying Payments.

EXAMPLE: SAMPLE DEBT SERVICE COVERAGE RATIO CALCULATION

Single Family Purchase Money Transaction
Monthly PITIA = $650
Estimated Monthly Market Rent (FNMA Form 1007) = $850
Existing Lease Monthly Rent = Not Available

Use Market Rent of $850 *(Estimated Monthly Market Rent when a lease is not available for a purchase transaction)*.
Gross Rents **($850)** ÷ PITIA **($650)** = **DSCR (1.30)**

5.4.2.3 - HOUSING HISTORY – DSCR (07/10/2023)

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The documentation requirements under Section 5.1.4 – Housing History should be followed for verification.

Housing History

- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.
- For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible.

5.4.2.4 - RESTRICTIONS (07/10/2023)

- See the Verus Matrices for the maximum LTV/CLTV.
- If the loan amount is < $150,000 the minimum DSCR is 1.25.
- Minimum credit score of 620.
- No rural properties maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented per 5.2.2 – Asset Documentation
- The borrower may not occupy the subject property at any time.
- Cash-out on an investment property where loan proceeds are used for consumer purposes.

5.4.2.5 - BORROWER APPLICATION (04/25/2022)

- The borrower information section of the loan application (i.e., FNMA Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., FNMA Form 1003).
- No proof of borrower income is required.

5.4.2.6 - DEFAULT EVENT

If a loan payment is delinquent for 60 days, Verus Mortgage Capital's loan servicer will enforce the following provision from the 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases.

5.4.3 - 5-8 RESIDENTIAL AND 2-8 MIXED USE PROPERTY

5.4.3.1 - PROPERTY INCOME ANALYSIS (07/10/2023)

- Minimum DSCR >= 1.00
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment)
- Loan amounts >= $2,000,000 require DSCR >= 1.00 and Debt Yield of 9% or greater (Net operating income/Loan amount = 9% or greater)
- Leased – Use lower of Estimated market rent or lease agreement.

- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties: 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.
- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- Income from commercial space must not exceed 49% of the total property income.
- Short-term rental use/income not eligible.

5.4.3.2 - BORROWER EXPERIENCE (04/25/2022)

- Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years.
- First-time investors are not eligible.

5.4.3.3 - OCCUPANCY (04/25/2022)

- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.
- Commercial unit(s) may be occupied by the borrower's business.

Eligible Property

- Residential 5 – 8 Units (Max 2-acres)
- Mixed use 2 – 8 Units
  - Commercial usage limited to Retail/Office
    - 2-3 Units: Max 1 commercial Unit
    - 4-5 Units: Max 2 commercial Units
    - 6-8 Units: Max 3 commercial Units
    - Commercial space must not exceed 49% of the total building area
- Unleased Units
  - Maximum 1-unit on 2-3 unit property
  - Maximum 2-units on 4+ unit property

5.4.3.4 - PROPERTY CONDITION (12/13/2021)

- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

5.4.3.5 - PREPAYMENT PENALTY (12/13/2021)

Eligible prepayment penalties limited to either a fixed percentage or declining percentage style

5.4.3.6 - ELIGIBILITY REQUIREMENTS (04/25/2022)

The maximum loan term cannot exceed 30 years.

5.4.3.7 - ASSETS (12/12/2022)

For asset documentation requirements, follow Investor Solutions - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

5.4.4 - CROSS COLLATERAL

The term cross collateral loan refers to a single mortgage that covers three (3) or more properties. The properties are held together as collateral on the mortgage, but the individual pieces of real estate may be sold without extinguishing the entire mortgage. Traditional mortgages typically have a "due-on-sale clause", which stipulates that if property secured by the mortgage is sold, the entire outstanding mortgage debt must be paid in full immediately. With a cross collateral mortgage, a partial release clause allows the sale of portions of the secured property and corresponding partial repayment of the loan. This is done to facilitate purchases and sales of multiple units of property with the convenience of a single mortgage.

5.4.4.1 - ELIGIBILITY REQUIREMENTS (07/10/2023)

- Only experienced investors are eligible for cross collateral loans.
- 1-4 residential units are eligible. 5-8 Residential and 2-8 Mixed use property are not eligible.
- Seller to complete cross collateral workbook and upload to Verus portal.
- Mixed transactions (i.e., Purchase, Cash-out) permitted, however, eligibility/pricing is based upon most conservative transaction type.
- DSCR: A Loan DSCR and Property DSCR is required to be calculated.
- The maximum loan term cannot exceed 30 years.
- Loan DSCR:
  - Minimum loan DSCR is 1.20
  - Loan DSCR is calculated as follows:
    - Total of gross rental income for all properties/loan PITIA
- Property DSCR:
  - Minimum DSCR requirements for each property:
    - Amortizing payment – 1.00
    - Interest Only – 1.20
  - Property DSCR is calculated as follows:
    - Rental income per property/Allocated loan amount PITIA
    - Rental income documentation/determination – see Section 5.4.2 1-4 Family Residential Property
- Property Count: Minimum – 3; Maximum – 25
- Partial Release: 120% of the allocated balance required to be paid to obtain a partial release.
- Prepayment Penalties: Required subject to State eligibility restrictions.
  - The prepayment penalty is assessed when:
    - The loan prepays in full during the prepay period; or
    - A partial release payment is made during the prepay period. The prepay penalty amount is based upon the release price.
  - Acceptable structures include the following:
    - 5% fixed up to 5-years
    - Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%)
- Cash Out Seasoning – Property value based upon the lower of acquisition cost plus documented improvements or current appraised value for any property acquired within 6-months of the note date.
- Eligible Borrower Types – Vesting permitted as follows:
  - Individual(s): U.S. Citizen or Permanent Resident (See 4.3.1 Residency)
  - Entities: Limited Liability Company, Partnership, or Corporation (See 4.3.5 - Title Vesting and Ownership)
  - Foreign Nationals: See (4.3.1.4 Foreign National)
- Closing Documentation – The Verus Business Purpose documents or a similar commercial style closing documents must be utilized.
- Cross Collateral loans cannot be originated or assigned to MERS.

5.4.4.2 - APPRAISAL REQUIREMENTS (12/12/2022)

- **1-4 Units**
  - See Appraisal Requirements for 1-4 Unit Residential in section 5.5.1.1 - Appraisal Requirements -1-4 Unit Residential for complete criteria.
  - Review product required: SSR with a score of 2.5 or less, CDA, ARA, or ARR

5.4.4.3 - GROSS RENT DOCUMENTATION REQUIREMENTS (04/25/2022)

PURCHASE

- FNMA Form 1007, if applicable.
- Existing lease agreement(s), if applicable.
  - If the existing lease is being transferred to the borrower, the Seller must verify that it does not contain any provisions that could affect the first lien position of the subject property.

REFINANCE

- FNMA Form 1007, if applicable.
- Existing lease agreement(s), if applicable.
- If subject property leased on a short-term basis is utilizing an on-line service such as Airbnb; gross monthly rents can be determined by using a 12-month look back period; and either 12-monthly statements, or an annual statement provided by the on-line service to document receipt of rental income. In addition, a screen shot of the online listing must show the property is actively marketed as a short-term rental. A 5% LTV reduction is required when using short term rental income to qualify.

DEBT SERVICE COVERAGE RATIO (DSCR) – CALCULATION REQUIREMENTS (12/12/2022)

- Leased property: DSCR is based upon the contracted monthly rent amount from the lease
  - A property is considered Leased" when there is an executed long term (Min. 12 months) lease agreement between the lessor and lessee.
  - Most recent two months of rent payment per lease agreement is required.
- Unleased and vacant property: DSCR is based upon the estimate of the monthly rent of the subject. The final reconciliation of Market Rent must be based on a 12-month rent schedule.
  - A property is considered unleased and vacant when no long term executed lease is in place. The Borrower should provide the cause of vacancy (Letter of Explanation) for refinance transactions, such as recently completed renovation, tenant turnover, etc.
- Vacancies
  - 1-4 Units – Vacant unit qualify at 75% of market rent (Maximum 1 vacancy)

ELIGIBLE TENANT:

- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the properties.
- Borrower affiliated tenants are defined as any borrower or guarantor, any affiliate of the borrower/guarantor, any holder of a direct or indirect interest in Borrower or such affiliate, any officer, director, executive employee, or manager of the borrowing entity, and any family member (including spouse, siblings, ancestors, and lineal descendants) of any person or entity described in the preceding.
- Borrower(s) must attest that all tenants are non-borrower affiliated.

LEASE AND OCCUPANCY REQUIREMENTS

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

5.4.4.4 - ASSETS (12/12/2022)

For asset documentation requirements, follow Investor Solutions - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential and 2-8 Mixed Use properties.

5.5.0 - PROPERTY ELIGIBILITY (06/21/2021)

5.5.1 - APPRAISALS

5.5.1.1 - APPRAISAL REQUIREMENTS 1-4 UNIT RESIDENTIAL (04/25/2022)

Verus reserves the right to review all valuation reports and determine if the subject property value is supported.

Appraisers must meet all industry standards and be State Certified. State Licensed Appraisers and Trainees are not permitted. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae® guidelines, including 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. Verus reserves the right to restrict the use of any specific appraiser and/or appraisal management company at its discretion.

Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan. For guidance in the manual review of an appraisal report, see the Appraisal Review Guide.

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report – Fannie Mae®/Freddie Mac Forms 1004/70
- Small Residential Income Property Report – Fannie Mae®/Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report – Fannie Mae®/Freddie Mac Forms 1073/465

- Appraisal Update and/or Completion Report – Fannie Mae®/Freddie Mac Forms 1004D/442
- Single Family Comparable Rent Schedule – Fannie Mae®/Freddie Mac Forms 1007/1000

Sellers must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company (AMC) that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR-compliant process.

APPRAISER LICENSE AND CERTIFICATION (04/25/2022)

The appraisal report forms identify the appraiser as the individual who:

- Performed the analysis, and
- Prepared and signed the original report as the appraiser.

This does not preclude appraisers from relying on individuals who are not state-licensed or state-certified to provide significant professional assistance, such as an appraiser trainee.

An unlicensed or uncertified appraiser, or trainee (or some other similar classification) may perform a significant amount of the appraisal (or the entire appraisal if they are qualified to do so). If an unlicensed or uncertified individual provides significant professional assistance, they must sign the left side of the appraisal certification as the Appraiser if:

- They are working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor,
- The right side of the appraiser certification is signed by that supervisory appraiser, and
- It is acceptable under state law.

APPRAISAL AGE (08/29/2022)

The appraisal should be dated no more than 365 days prior to the Note date.

When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and the results of the analysis must be reported on the Appraisal Update and/or Completion Report (FNMA Form 1004D).

- If the appraiser indicates on FNMA Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.
- If the appraiser indicates on FNMA Form 1004D that the property value has *not* declined, then the seller may proceed with the loan in process without requiring any additional fieldwork.

Not eligible for Verus purchase: Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. Verus will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

SECOND APPRAISAL (12/13/2021)

A second appraisal is required when any of the following conditions exist:

- The loan balance exceeds $2,000,000 for either a single property loan or the allocated loan balance of a property within a cross-collateral loan.

- (2nd appraisal not required when Form 71A Multifamily or a commercial narrative report utilized).
- The transaction is a flip as defined in the Property Flipping section of this guide.
- As required under the Appraisal Review Products section of this guide.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

APPRAISAL EVALUATION

NEIGHBORHOOD ANALYSIS

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible – e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

EXISTING CONSTRUCTION

- 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, the Seller must obtain a certificate of completion from the appraiser before the mortgage is delivered to Verus.

SUBJECT SECTION

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12 months prior to the effective date of the appraisal. If the answer is 'No,' the data source(s)

used must be provided. If the answer is 'Yes,' the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s)
- Offering date(s)
- Data source(s) used
- For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

ACTUAL AND EFFECTIVE AGES

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Seller should pay particular attention to the condition of the subject property in its review of any appraisal report. When the appraiser adjusts for the "Year Built," he or she must explain those adjustments.

ACCESSORY UNITS (12/13/2021)

Verus will purchase a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property.
- There is only one accessory unit on the property; multiple accessory units are not permitted.
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
- For properties located in California, if zoning (current or grandfathered) permits an accessory unit, the rental income may be included, subject to the following:
    - Appraisal reflects the accessory is legal and the appraisal report includes at least one comp with an accessory unit.
    - Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease with two (2) months proof of current receipt.

OUTBUILDINGS

A Seller must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

TYPE OF OUTBUILDING	SUITABILITY
Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property	The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.
An atypical minimal building	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals	The presence of the outbuildings may indicate that the property is agricultural in nature. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

TRANSFER OF APPRAISAL (12/13/2021)

A transferred appraisal report is acceptable provided the report meets the lender's appraisal requirements for independence.

5.5.1.2 - APPRAISAL REQUIREMENTS 5-8 RESIDENTIAL AND 2-8 MIXED USE

5-8 UNIT RESIDENTIAL PROPERTIES (07/10/2023)

A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

One of the following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties, or
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

2-8 MIXED USE PROPERTIES (07/10/2023)

Commercial use is limited to retail or office space. Residential or commercial zoning acceptable.

One of the following appraisal reports are acceptable:

- General Purpose Commercial Forms (i.e., GP Commercial Summary Form available from CoreLogic a la mode), or

- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

Regardless of the report type, the following are required:

- A full interior inspection with photos is required for all units.
- Commercial space must not exceed 49% of the total building area.
- The sales comparison approach should be used as the appraised value.

APPRAISAL ATTACHMENTS REQUIRED (APPLIES TO RESIDENTIAL AND MIXED USE):

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

PROPERTY CONDITION

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

5.5.1.3 - APPRAISAL REVIEW REQUIREMENTS

APPRAISAL REVIEW PRODUCTS 1-4 RESIDENTIAL PROPERTY (07/10/2023)

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an "as is" value for the subject property (the "Appraisal Review Value") as of the date of the subject loan transaction.

The following options are eligible review products:

1. The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). (Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less). If the score exceeds 2.5, the file must include either an enhanced desk review, field review, or second appraisal.
2. An enhanced desk review product from one of the following choices:
    - ARR from Stewart Valuation Intelligence FKA Pro Teck
    - CDA from Clear Capital
    - ARA from Computershare
    - CCA from Consolidated Collateral Analysis

3. If the enhanced desk review product reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.

APPRAISAL REVIEW PRODUCT 5-8 RESIDENTIAL AND 2-8 MIXED USE (04/03/2023)

- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.
- In Pennsylvania and North Carolina, a commercial evaluation product is used instead of the BPO product.

5.5.1.4 - MINIMUM PROPERTY REQUIREMENTS (12/13/2021)

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-8 Units 400 sq. ft per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

5.5.1.5 - PERSONAL PROPERTY

Any personal property transferred with a real 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.

5.5.1.6 - ESCROW HOLDBACKS

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase. Verus will not acquire any loan with an escrow holdback.

5.5.1.7 - DECLINING MARKETS (07/10/2023)

The loan transaction is subject to an LTV/CLTV cap, program specific, if the property is in a declining market. Declining markets are determined by a) property location in a State/CBSA identified by Verus, or b) the appraisal report reflects a declining market under housing trends. The State/CBSA table is located on the Verus website www.verusmc.com and can also be assessed using the link in the Loan/LTV matrix. The program specific LTV/CLTV caps are as follows:

- Prime Ascent Plus
  - 85% LTV Purchase
  - 75% LTV Refinance
- Prime Ascent
  - 85% LTV Purchase

  - 80% Refinance
- Credit Ascent
  - 80% LTV Purchase
  - 75% LTV Refinance
- Investor Solutions – DSCR
  - 75% LTV Purchase
  - 70% LTV Refinance
- 5-8 Multi/2-8 Mixed use, Cross-collateral, Foreign National
  - Maximum LTVs don't require a market adjustment

5.5.2 - PROPERTY TYPES

5.5.2.1 - ELIGIBILE PROPERTIES (04/03/2023)

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)
- 2-8 Mixed Use (DSCR only)
  - 2-3 Units: Max 1 commercial Unit
  - 4-5 Units: Max 2 commercial Units
  - 6-8 Units: Max 3 commercial Units
- Condominium (See Section 5.5.8 Condominiums for complete condominium eligibility criteria)
- Condo hotels (See Section 5.5.8.3 Condominium Hotels for complete condominium eligibility criteria)
- Modular homes
- Properties of 20 acres or less
- Leaseholds (in areas where leaseholds are common)

TILA HIGHER PRICED MORTGAGE LOANS (HPML) APPRAISAL RULE 1026.35(A)(1) (PROPERTY FLIPS) (07/10/2023)

- Applies to covered HPML transactions.
  - Qualified Mortgages (QM) are excluded.
- A property is considered a "flip" if either of the following are true:
  - The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement.
  - The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement.
    - The acquisition date is the day the seller became the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.
- If the property is a "flip" as defined above, the following additional requirements apply:
  - A second appraisal must be obtained.
  - If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
  - The second appraisal must be dated prior to the loan consummation/note date.
  - The property Seller on the purchase contract must be the owner of record.

- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

5.5.2.2 - INELIGIBLE PROPERTIES (04/03/2023)

- 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, or orchards)
- Manufactured or Mobile homes
- Co-op/timeshare hotels
- Cooperative share loans
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Rural property:
  - A property is classified as rural if:
    - The appraiser indicates in the neighborhood section of the report a rural location; or
    - The following two (2) conditions exist:
      - The property is located on a gravel road, and
      - Two of the three comparable properties are more than five (5) miles from the subject property.

5.5.3 - ACREAGE LIMITATIONS (06/21/2021)

- A maximum of 20 acres (DSCR transactions limited to 2 acres)
- No truncating allowed

5.5.4 - STATE ELIGIBILITY

Nationwide - excluding Puerto Rico, Guam, and the US Virgin Islands

5.5.4.1 - TEXAS HOME EQUITY LOANS 50(a)(6)

A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. All loans must comply with the requirements listed in the Texas Constitution. Sellers should not rely on Verus Mortgage Capital categorization of refinance loans for purposes of determining whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

5.5.4.2 - NEW YORK – CEMA

Consolidation, Extension, and Modification Agreement (CEMA) may be utilized for refinance transactions secured by property located in the State of New York. Attorney's experienced in reviewing and preparing CEMA documentation should be utilized. See specific requirements under 2.1.2.1 CEMA Documentation.

5.5.5 - LEASEHOLD PROPERTIES

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

The Seller must provide documentation and leaseholds must meet all Fannie Mae® eligibility requirements (i.e., term of lease).

5.5.6 - VERUS EXPOSURE – BORROWER LIMITATIONS (08/29/2022)

Verus' aggregate exposure to a single borrower and/or household shall not exceed $5,000,000 in current unpaid principal balance (UPB) or ten (10) loans.

5.5.7 - DISASTER AREAS

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at www.fema.gov/disasters. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence must be used to determine if the disaster guidelines should be followed.

5.5.7.1 - APPRAISALS COMPLETED PRIOR TO DISASTER (04/25/2022)

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 as the previous inspection, and the marketability and value remain the same.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

5.5.7.2 - APPRAISALS COMPLETED AFTER DISASTER EVENT

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

5.5.7.3 - DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE (07/10/2023)

A loan is ineligible for purchase until an inspection is obtained based on the following:

- A Post Disaster Inspection (PDI) Report from a third-party vendor (i.e., Clear Capital, Stewart/Pro Teck) may be used. Any indication of damage reflected in the report will require a re-inspection by the appraiser.

- If a re-inspection is required, the appraiser may utilize FNMA Form 1004D and comment on the event and certify that there has been no change to the value.

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

5.5.8 - CONDOMINIUMS (07/10/2023)

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire (except for loans secured by site condominiums).
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark 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
    - is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements;
    - the improvements need 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.
- Generally, loans secured by units in projects identified by FNMA as "Unavailable" by Condo Project Manager (CPM), except for condo hotel, are not eligible. Exceptions will be considered on a case-by-case basis.
- Florida Condominiums:
  - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required consistent with standards outlined in Florida statute 553.899. This statute applies to projects three stories or higher.
  - Projects with an acceptable inspection, maximum LTV is reduced 5%.
  - Projects with an unacceptable or no inspection are not eligible.
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- Verus' project exposure maximum shall be $5,000,000 or 20% of the total units in the project, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV. Completion of the Homeowners Association (HOA) questionnaire is not required for site condominiums.
- Two- to four-unit condominium projects will not require a project review provided the following are met:
  - The project is not a condo hotel, houseboat, or timeshare or segmented-ownership project.
  - The priority of common expense assessments applies.
  - The standard insurance requirements apply.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.

- Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom.
- Commercial space allowed up to 50% of the 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.
- For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- 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.
- 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 such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

5.5.8.1 - ESTABLISHED PROJECTS (06/21/2021)

- 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.

5.5.8.2 - NEW 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.

5.5.8.3 - CONDOMINIUM HOTELS (04/03/2023)

- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
  - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
  - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
  - Occupancy Type: Primary, Second Home, or Investment.

- Investor concentration, within the subject project, may exceed established project criteria, up to 100%.
- Maximum LTV/CLTV (may vary by product – see Loan/LTV matrix):
  - Purchase: 75% (65% for Foreign National program)
  - R/T and Cash-Out: 65%
- Maximum Loan Amount: $1.5 million
- Minimum Loan Balance: $150,000
- Gross rents (for all income doc types) reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property.
- Minimum square footage: 500
- Fully functioning kitchen – define as full-size appliances including a refrigerator and stove/oven
- Bedroom required.
- Florida Condominiums:
  - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statue 533.889.
  - For projects not in compliance with this statue, financing is not eligible.
  - For projects meeting compliance, financing is eligible subject to a 5% LTV reduction

5.5.8.4 - INELIGIBLE PROJECTS (04/25/2022)

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment
  - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.

5.5.8.5 - CONDOMINIUM INSURANCE REQUIREMENTS (04/25/2022)

COVERAGE (04/25/2022)

- Borrowers must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Project meets all Fannie Mae® insurance requirements for property, liability, and fidelity coverage.

FIDELITY OF EMPLOYEE DISHONESTY INSURANCE FOR CONDOMINIUMS

For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least the sum of three months of assessments on all units in the project is required.

HO-6

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

DEDUCTIBLE

The maximum deductible amount must be no greater than 5% of the face amount of the policy.

FLOOD INSURANCE

- The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
  - Building Coverage must equal the lesser of:
    - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
    - The total number of units in the condominium building times $250,000
- Contents Coverage must equal the lesser of:
  - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
  - The maximum amount of contents coverage sold by the NFIP for a condominium building

CHAPTER 3 - GLOSSARY

TERMS AND DEFINITIONS (07/10/2023)

TERM	DEFINITION
Adjustable-Rate Mortgage (ARM)	A mortgage loan that permits the lender to periodically adjust the interest rate on the basis of changes in a specified index.
Allonge	An attachment to a legal document that is used to insert language or signatures when there is no space for them on the document itself. Frequently used to add endorsements to the mortgage note.
American Land Title Association (ALTA)	A national association of title insurance companies, abstractors, and title agents. The association speaks for the abstract and title insurance industry and establishes standard procedures and title policy forms.
Application Date	The date on which receipt of the borrower's financial information first triggers the federal Truth in Lending disclosure requirements to the borrower in connection with the mortgage loan.
Appraisal	A report that sets forth an opinion or estimate of value.
Automated Clearing House (ACH)	An electronic drafting system that debits (or credits) an authorized bank account and electronically transfers funds to (or from) another designated account.
Best Efforts	A secondary market rate lock is an agreement between a seller and the investor which allows the seller to lock in the interest rate on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period.
Borrower	The person to whom credit is extended. On a mortgage loan, the person who has an ownership interest in the security property, signs the security instrument, and signs the mortgage/deed of trust note (if his or her credit is used for qualifying purposes). See also *Co-Borrower*.
Cash-Out Refinance	A refinancing transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points, and the amount required to satisfy any outstanding subordinate mortgage liens.
Co-Borrower	For Verus Mortgage Capital's purposes, this term is used to describe any borrower other than the first borrower whose name appears on the mortgage note, even when that person owns the property jointly with the first borrower (and is jointly and severally liable for the note). See also *Borrower*.
Condominium (condo)	A unit in a condominium project. Each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and, in some cases, the exclusive use of certain limited common areas.
Credit Score	A numerical value that ranks an individual according to his or her credit risk at a given point in time, as derived from a statistical evaluation of information in the individual's credit file that has been proven to be predictive of loan performance. When this term is used by Verus Mortgage Capital, it is referring to the classic FICO score developed by Fair Isaac Corporation.
Curtailment	A financial term for a partial or an extra principal payment.
Custodian (Document Custodian)	A financial institution that maintains custody of certain mortgage documents on behalf of Verus Mortgage Capital.

Debt-To-Income Ratio (DTI)	A ratio derived by dividing the borrower's total monthly obligations (including housing expense) by his or her stable monthly income. This calculation is used to determine the mortgage amount for which a borrower qualifies. This term is used interchangeably with "total debt-to-income ratio" and "expense ratio."
Escrow Account	A trust account that is established to hold funds allocated for the payment of a borrower's property taxes and assessments by special assessment districts, ground rents, insurance premiums, condo or homeowners' association or planned unit development association dues and similar expenses as they are received each month in accordance with the borrower's mortgage documents and until such time as they are disbursed to pay the related bills.
Federal Emergency Management Agency (FEMA)	A federal agency that provides assistance in areas that have suffered a major disaster or other emergency. It also maintains flood insurance rate maps that identify the Special Flood Hazard Areas in which Verus Mortgage Capital requires flood insurance.
First-Time Home Buyer	An individual is to be considered a first-time home buyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.
Guaranty	Guaranty refers specifically to a written agreement that one party will pay the money required if another party fails to do so. All Verus loan programs where the borrower is an entity require a guaranty with full recourse.
Higher-Priced Covered Transaction	A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act and applies to both principal residences and second homes.
Higher-Priced Mortgage Loan	A mortgage loan that meets the corresponding definition under Regulation Z of the Truth in Lending Act. Only principal residences are included in this category.
Lease	A written agreement between the property owner and a tenant that stipulates the conditions under which the tenant may possess the real estate for a specified period of time and rent.
Loan-To-Value (LTV) Ratio	The relationship between the original loan amount of the first mortgage and the property's appraised value (or sales price if it is lower).
Lock Expiration	A mandatory mortgage lock requires that the seller either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee.
Mandatory	A mandatory mortgage lock requires that the seller either deliver the product to the buyers by a specific date or incur a fee, called a pair-off fee. A whole loan commitment that generally requires the lender to deliver eligible mortgages equal to at least the minimum required delivery amount (which is an amount that will not be less than the original commitment amount by more than $10,000 or 2.5% of the original amount) by the expiration date of the commitment.

Preparer Tax Identification Number (PTIN)	The IRS requires anyone who prepares tax returns for compensation to register and obtain a PTIN. There is no qualifications to obtain a PTIN, it's simply used for preparer identification.
Prepayment Penalty	A charge imposed for paying all or part of the transaction's principal before the date on which the principal is due, other than a waived, bona fide third-party charge that the lender imposes if the borrower prepays all of the transaction's principal sooner than 60 months after loan closing.
Rate Lock	A secondary market rate lock is an agreement between a seller and the investor which allows the seller to lock in the interest rate on a mortgage loan for a specified time period at the prevailing market interest rate. A mortgage loan lock provides protection against a rise in prevailing interest rates during the lock period.
Recourse	A full recourse provision grants the lender the right to seize any additional assets that the borrower may own and use them to recoup the remaining amount due to the borrower.
Sales Contract	A contract for the purchase/sale, exchange, or other conveyance of real estate between parties. The contract must be in writing, contain the full names of the buyer(s) and seller(s), identify the property address or legal description, identify the sales price, and include signatures by the parties. Sales contracts are also known as agreements of sale, purchase agreements, or contracts for sale.
Texas Section 50(a)(6) Loan	A loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allows a borrower to take equity out of a homestead property under certain conditions. Article XVI, Section 50(a)(6), of the Texas Constitution is sometimes referred to as Texas Constitution Section 50(a)(6).

CHAPTER 4 - FORMS

ALLONGE – SAMPLE (04/25/2022)

ALLONGE

Loan Number: (as printed on the note) _____

Borrower(s): _____

Property Address: _____

Note/Loan Amount: $_____

Note/Loan Date: _____

Pay to the order of: _____ without recourse
(Leave blank)

Seller Company Name _____

Signature: _____

Print Signer's Name: _____

Signer's Title: _____

VERUS MORTGAGE CAPITAL APPRAISAL REVIEW GUIDE

SUBJECT PROPERTY

1) Does the subject property address match the documentation in the file (loan application, purchase contract, etc.)? If yes, validate the address via the USPS address validator.
2) Is the owner of record consistent with the loan file documentation? If it's a refinance, the borrower should reflect as the owner. If it's a purchase, does the owner match the purchase contract?

CONTRACT

1) Did the appraiser review the sales contract? The appraiser must review the sales contract on all purchase transactions.
2) Does the information in this section agree with the information in the sales contract?

NEIGHBORHOOD AND SITE

1) Pay attention to situations which could adversely affect the subject values, such as rural properties, property values declining, over-supply, marketing time greater than six (6) months. The appraiser may need to comment on the reason(s) and its effect on the subject's value.
2) Is the subject's value within the neighborhood's price range? If no, the appraiser must comment on its effect on the marketability of the subject.
3) Is the present land use predominately residential and similar to the subject's use? Is the present land use stable? If no, the appraiser must comment on these conditions.
4) Is the subject zoned legal non-conforming, or illegal? If legal non-conforming, ensure the property can be rebuilt if destroyed.
5) Are there any negative comments regarding the site? If so, verify that the noted condition will not affect marketability.
6) Is the subject located on a private road? If so, obtain a maintenance agreement.
7) Be aware of acreage and any possible guideline restrictions.

IMPROVEMENTS

1) Is there evidence of infestation, dampness, settlement in the foundation? If so, the appraiser must comment.
2) Are there any negative comments in the improvements section if the appraisal is not subject to repairs? If yes, the appraiser may need to comment further.
3) Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? If so, is the situation addressed?
4) Pay attention to any improvements/remodeling done in the past 1 - 5 years mentioned by the appraiser. What is their impact on the final value and/or any recent increase to value?

SALES COMPARISON APPROACH

1) Did the appraiser indicate a number of comparable properties currently listed and sold in the neighborhood? If no, request that from the appraiser.
2) Are comparable sales located within the subject's neighborhood based on location (urban, suburban, rural)? If no, ask the appraiser to comment.
3) Are comparable sales dated within six (6) months? If no, the appraiser must address this.

4) Are comparable sales similar to the subject in location, design, gross living area, room counts, age, condition, etc.? If not, the appraiser must explain why the comps chosen were used.
5) For condominiums, at least one comparable sale should be outside of the subject's complex.
6) Be aware of total adjustments exceeding 15% for net and 25% for gross adjustments as referenced in the Verus Mortgage Capital loan eligibility criteria.
7) Make sure that add-ons (garage/barn/pool/etc.) are addressed and any adjustments are not excessive.
8) Watch for ineligible condition(s) such as C5, C6 or Q6.

Complete an independent analysis of the information and documentation provided on the appraisal focusing on the four (4) items below.

1) Review photos of the subject. Does the subject appear to need repairs? If so, and the appraiser did not require repairs, the appraiser must comment on the observed issue and possibly provide the cost to cure.
2) Complete research via online tools such as Zillow, Google, etc., on comparable sales. Compare exterior and interior photos of the comparable sales to the subject to ensure they are not superior.
3) Review the sales history and listings in the subject's immediate neighborhood with online tools such as Zillow, MLS, etc., to ensure the best sale comparable(s) were used by the appraiser.
4) Review the street map that identifies the subject location and location(s) of the sale comparable(s). Verify that the comps are not clustered together in a superior neighborhood, separated from the subject by man-made barriers such as major roads/highways, etc.

RECONCILIATION

1) Is the appraisal made "subject to completion, repair, or inspection? If yes, check the condition for the completion/repair/inspection.

COST APPROACH

1) Is the land-to-value ratio typical for the area? If the site value has been provided, ensure the land-to-value ratio is not too high for the subject's neighborhood.
2) Is the indicated value by cost approach in-line with the sales comparison approach? If no, the appraiser must address this.

ADDENDA

1) Are all required addenda attached to the appraisal, including a map, sketch, and photographs?
2) Watch for adverse comments on any of the addenda.
3) Are the correct appraisal form(s) used? For example, condominiums should use Form 1073. A small residential income property appraisal report (Form 1025) should contain a Form 1007 single family comparable rent schedule, etc.

AUTOMATIC PAYMENT AUTHORIZATION (ACH) FORM (03/03/2021)

AUTOMATIC PAYMENT AUTHORIZATION FORM

❑ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name	Street Address	City, State, Zip Code
Daytime Phone Number	Evening Phone Number	
Mortgage Number		
Financial Institution Name	Financial Institution Phone No.	Financial Institution Address
Electronic ACH Routing Number	Account Number	☐ Checking ☐ Savings

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the _____ of each month (select a date within the grace period indicated on your note).

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest, and escrow items I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable-Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

The authorization is to remain in full force and effect until revoked in writing. Such revocation notification must be provided to the Initiating party no less than fifteen (15) business days prior to it taking effect. Please contact the Initiating Party immediately if you change financial institutions, change accounts within the same financial institution or if you wish to revoke this authorization.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

_____ _____

Borrower Date Co-Borrower Date

Borrower Certification of Business Purpose

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of [**LOAN CLOSING DATE**]. The undersigned borrower(s) and, if applicable, guarantor (collectively the "Borrower") certifies and represents to [**SELLER NAME**] ("Seller") all of the following:

1. Borrower has requested that Seller make a loan in the original principal amount of [**LOAN AMOUNT**] ("Loan"), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of Seller, which is secured by that certain Mortgage, Deed of Trust or Security Deed ("Security Instrument") of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as [**PROPERTY ADDRESS**] ("Property").

2. Borrower has previously represented to Seller that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.

3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.

4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.

5. Certain consumer protection laws, 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. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.

6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

Signature	Date	Signature	Date
Type/Print Name		Type/Print Name	
Signature	Date	Signature	Date
Type/Print Name		Type/Print Name	

BORROWER CONTACT CONSENT FORM

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

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

Mailing address for your mortgage statements and other correspondence:

_____Same as the subject property.

_____Please use this mailing address instead:

Address Line 1 _____

Address Line 2 _____

City/State/Zip _____ Country _____

Cell phone number:

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

	Within the United States	If you reside outside the United States
Borrower	(_____)_____-_____	(_____)_____
Co-Borrower	(_____)_____-_____	(_____)_____
	(Area code) phone number	(Country code) phone number

Email address:

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

Borrower _____

Co-Borrower _____

Signature(s):

Borrower _____ Date _____

Co-Borrower _____ Date _____

COLLATERAL SHIPPING INSTRUCTIONS (07/10/2023)

Bailee or Security Release

When delivering original promissory notes, the Seller must provide either a Bailee Letter or a Security Release Form as follows:

Bailee Letter Requirements	○ Must accompany the original promissory note delivered to the custodian (see collateral shipping instructions in next section) • A bailment is only established if a bailee letter is delivered with the original promissory note ○ Does not require execution by Verus and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement ○ Allow 2 business days, following receipt, for custodian processing to make bailee letter available to Verus for wire account setup of the loan's purchase proceeds ○ Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s); should contain the following information: • Seller's name • Borrower name • Wire instructions • Either the Seller or Verus loan number • Note amount
Security Release Form Requirements	○ Seller must be pre-approved for self-funding; if not, contact the Verus sales associate to initiate self-funding approval process ○ Submit a Security Release form, executed by an authorized signer of the Seller ○ Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type 'Credit Package Document' ○ Must be delivered to Verus within 24 hours after loan delivery ○ Must sufficiently describe the subject loan(s) so Verus can identify the correct mortgage loan(s); should contain the following information: • Seller's name • Borrower name • Wire instructions • Either the Seller or Verus loan number • Note amount

Initial Collateral Shipping

Custodian Mailing Address	**Computershare Trust Company, N.A.** **Attn: CMBS-INVC** **1055 10th Ave SE** **Minneapolis, MN 55414**
Custodian Stacking & Packaging Instructions	○ Place loan files in sequential loan number order inside shipping package/box. ○ Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan. ○ Mark the exterior of each box to identify its contents as follows: • INVC-Initial/Seller Name/ Box 1 of __, Ln # 100000– 100200. ○ Stack documents in the following order: • Bailee Letter (or self-assurance letter if applicable) (do not staple or clip to Note) • Original Note, with an original signature, fully executed • Original allonge, endorsing the Note from Your Company Name to Blank (See Guide Exhibit for Allonge Example) • If not a MERS MOM loan: ▫ Original Unrecorded Assignment from Seller to Blank • Original Executed Power of Attorney (if applicable) • Any other documents as may be applicable relevant to program, property, or business entity as borrower (Example: Loan Agreement, POA, etc.) ○ Place collateral documents in a pocket file folder (legal size); one folder per loan ○ Affix a label to the upper right-hand corner of each pocket-file folder reflecting: • Verus Loan ID • Seller Loan ID • Borrower Name

Newly originated loans (< than 120 days from note date):	○ The **copy of the unrecorded mortgage and title commitment are required to be eligible for loan sale/purchase settlement.** Deliver the preliminary documents to Verus, as follows: • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Credit Package Document'; AND ▫ Security Instrument (MERS MOM), with all riders & schedules, sent for recordation ▫ If not a MERS MOM loan, each original or copy of the recorded intervening assignment(s), evidencing a complete chain of title from Originator to Seller (if applicable) ▫ Title Commitment/Binder/Prelim Title ▫ Power of Attorney, or a copy of the original sent for recordation (if applicable) • Delivery of the recorded/final versions to the custodian is required within 180 days of loan sale/purchase settlement date. See Trailing Document Delivery instructions.
Seasoned loans (>= 120 days from note date):	○ The **recorded mortgage and final title policy are required to be eligible for loan sale/purchase settlement.** Deliver the final documents to Verus, as follows: • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Credit Package Document; AND ▫ Security Instrument (MERS MOM), with all riders & schedules with evidence of recording information ▫ Final title policy ▫ Power of attorney with evidence of recording information, if applicable

Contact the Verus collateral desk for additional assistance at: collateral@Verusmc.com

MERS Registration and Transfer of Servicing and Beneficial Rights	○ Provide screen shot of MIN Summary to evidence registration is in active status & ownership rights are held by seller. • Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type 'Credit Package Document' • Must be delivered to Verus within 24 hours after loan delivery ○ Seller is responsible for initiating the MERS® Transfer of Rights, within 5 calendar days of loan sale/purchase settlement. ○ Initiate a TOS/TOB combo transaction to Verus, as follows: • Investor: 1013178 • Servicer: 1013178 *Note: Verus reserves the right to charge an administrative fee of $25.00 for any loan not transferred accurately within the required 5 calendar days.*

Contact the Verus MERS desk for additional assistance at: MERS@Verusmc.com

Trailing Document Delivery (for loans < 3 months seasoned at loan sale/purchase settlement)

Custodian Delivery Address	**Computershare Trust Company, N.A.** **Attn: CMBS-INVC** **1055 10th Ave SE** **Minneapolis, MN 55414**
Document Packaging	○ Include a cover sheet with seller and Verus Loan IDs for each trailing document; or use a manifest to identify each document and its corresponding seller and Verus loan IDs. If using a manifest, the documents must be stacked in the same order as represented on the manifest ○ Individual documents with multiple pages may be stapled or clipped together • Do **NOT** staple/clip multiple *documents* together ○ Mark the exterior of the package(s)/box(es) to identify its contents as follows: • INVC-Trailing/Seller Name/ Box 1 of __, Ln # 100000– 100200.

Contact the Verus collateral desk for additional assistance at: collateral@Verusmc.com

CONDOMINIUM PROJECT QUESTIONNAIRE (04/03/2023)

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name:		**Date:**	
Project Street Address:		**HOA Taxpayer ID:**	
Unit Address:		**Loan Number:**	
HOA Representative:		**Lender Name:**	

In order to determine eligibility of your project, we ask for your assistance in completing this form. Any officer of the association/management may complete this form. It is imperative that each question is answered in full. Your cooperation will assure a smooth experience for both the borrower and the seller.

PART I – PROJECT INFORMATION

Please provide actual numbers and not percentages in the chart below:

Legal Phase # Previous and Future Phases	# of Units Per Phase	# of Buildings	# of Units Complete	# of Units for Sale	# of Units Sold or Under Contract	# of Owner Occupied and Secondary Homes	# of Investor Units
Note: If unable to provide number of second homes, provide number of off-site addresses:							

1. Please provide a breakdown of the total number of units in the Project below:

   # of Owner Occupied Units _____ **# of Investor Units** _____ **# of Units Sold from Developer** _____

   # of Secondary Home Units _____ **# of Units for Sale** _____ **# of Units in Entire Project** _____

2. Does the Project have any characteristics listed below? Please check all that apply: ☐ Yes ☐ No

   ☐ **Hotel/Motel Operations** ☐ **Maid Service** ☐ **Room Service** ☐ **Bellman**

   ☐ **On-Site Registration Desk** ☐ **Houseboat** ☐ **Key-Card Entry** ☐ **Mandatory Rental Pool**

   ☐ **Short Term/Daily Rentals** ☐ **Investment Security** ☐ **Cooperative** ☐ **Manufactured Housing**

   ☐ **Continuing Care Facility** ☐ **Live-Work Project** ☐ **Timeshare** ☐ **Multi Dwelling**

3. What year was the Project built or converted? _____
4. How many stories or floors does the Project have? _____
5. What is the maximum number of units allowed in the Project? _____
6. Are at least 90% of the total units sold and closed? ☐ Yes ☐ No
7. Are all units and common elements complete and not subject to any additional phasing and/or additions? ☐ Yes ☐ No

   If Yes - When was the Project completed? _____

8. If Project is not complete, is the subject legal phase, or any prior legal phases in which units have been offered for sale, substantially complete and has a Certificate of Occupancy been issued? ☐ Yes ☐ No

   If No - When will the phase be completed? _____

   Date subject phase completed? _____

   Date last phase was completed? _____

   What remains to be completed for project to be 100% complete? _____

9. Is the Project a conversion of an existing building within the last three years? ☐ Yes ☐ No

   If Yes - What year was the Project original built? _____

   What date was the conversion completed? _____

   Was the conversion a gut rehab? Gut rehab refers to the renovation of a property down to the shell, with replacement of all HVAC and electronic components. ☐ Yes ☐ No

   What was the original use of the building? _____

   Note: If Project is a conversion completed less than four years ago, please submit a copy of the engineer/architect report, evidence of repairs completed, current Reserve Study (last 24 months) and evidence of working capital fund.

10. Is any part of the Project used for commercial space? ☐ Yes ☐ No

    If Yes - What is the total square footage of the commercial space? _____

    What is the total square footage of the building? _____

    What floor(s) is the commercial space located on? _____

    How is the commercial space currently used? _____

11. Is the Project part of a mixed-use building (contains both commercial and residential space not part of the association)? ☐ Yes ☐ No

    If Yes - What is the total square footage of the commercial space? _____

    What is the total square footage of the building? _____

    What floor(s) is the commercial space located on? _____

    How is the commercial space currently used? _____

12. Is the HOA or developer involved in any litigation and/or arbitration, including the project being placed in receivership, bankruptcy, deed-in-lieu of foreclosure or foreclosure? ☐ Yes ☐ No

    If Yes - Please describe the details and provide documentation and attorney letter relating to the litigation. _____

    _____

13. Are there any pending or levied special assessments by the HOA? ☐ Yes ☐ No

    If Yes - What is the total amount of assessment? _____

    What is the assessment amount per unit? _____

    What is the term of the assessment? _____

    What is the current assessment balance? _____

    Has work been completed? ☐ Yes ☐ No

    Describe the nature of the assessment: _____

14. Does the association have any knowledge of any adverse environmental factors affecting the Project as a whole or any individual unit within the Project? ☐ Yes ☐ No

    If Yes - Please provide an explanation: _____

15. Is there more than one association within the Project, covered by a Master or umbrella association? ☐ Yes ☐ No

    If Yes - Master Association name: _____

    Amenities and/or recreational facilities available through Master Association: _____

    _____

16. Are there any common amenities and/or recreational facilities available or to be built in the future? If yes, please provide type(s). ☐ Yes ☐ No

☐ **Pool** ☐ **Clubhouse** ☐ **Tennis Court** ☐ **Playground**

☐ **Other (describe):** _____

17. Are all common elements, amenities, and/or recreational facilities owned jointly by the unit owners/HOA (including any Master Association)? ☐ Yes ☐ No

If No - Please provide an explanation: _____

18. Does the HOA own all amenities and recreational facilities debt and lien free? ☐ Yes ☐ No
19. Do the unit owners in the Project have rights to the use of all common elements/amenities? ☐ Yes ☐ No
20. Does the HOA share any common amenities with other, unaffiliated projects? ☐ Yes ☐ No
21. Does the Project have any mandatory, upfront membership fees for the use of recreational amenities owned by an outside party? ☐ Yes ☐ No
22. Are any units in the Project with resale or deed restrictions? ☐ Yes ☐ No

If Yes - Please explain. Provide related agreements and number of units subject to restriction and unit numbers: _____

23. Are all units owned fee simple? ☐ Yes ☐ No
24. Are any of the units owned in a leasehold? If yes, please provide copies of leasehold documents. ☐ Yes ☐ No
25. Is the developer leasing or renting any of the units in the Project? ☐ Yes ☐ No

If Yes - Please provide number of units leased/rented by the developer. _____

26. Is the developer responsible for assessments on unsold units? ☐ Yes ☐ No
27. If a unit is taken over in foreclosure, will the mortgagee be liable for more than six months of unpaid dues? ☐ Yes ☐ No
28. How many units are over 60 days delinquent on HOA dues or assessments (including REO owned units)? _____
29. How many units are over 30 days delinquent (including units that are over 60 days delinquent) in payment of HOA dues or assessments (including REO owned units)? _____
30. Does any single entity (individual, investor, or corporation) own more than 10% of the units in the Project? ☐ Yes ☐ No
31. Are two members of the HOA Board required to sign all checks written from the reserve account? ☐ Yes ☐ No
32. Does the HOA maintain two separate bank accounts for the operating and reserve accounts? ☐ Yes ☐ No
33. Does at least 10% of annual budget provide for funding or replacement reserves, capital expenditures, deferred maintenance, and insurance deductibles? ☐ Yes ☐ No
34. What is the current dollar balance of the reserve account? _____
35. For projects located in the state of Florida, has any structural, maintenance, or engineering inspection reports been completed in the past five (5) years? ☐ Yes ☐No ☐ NA
    a) If Yes – Any significant deferred maintenance items identified? ☐ Yes ☐ No
        i) If Yes – Provide documentation/evidence that items have been addressed. (Attach Documents)
36. Has the HOA received a directive from a regulatory or inspection agency to make repairs due to unsafe conditions? ☐ Yes ☐ No
37. Is the Project professionally managed? ☐ Yes ☐ No

If Yes - What is the length of the current management contract? _____

Does the management contract require a penalty for cancellation of at least 90 days? ☐ Yes ☐ No

38. Has the developer turned over Project control to the unit owners? ☐ Yes ☐ No

    If Yes - When was it turned over? _____

    If No - What is the anticipated date the Project will be turned over to the unit owners? _____

39. If/when the Project is turned over to the unit owners, does the developer retain any ownership in the Project besides unsold units? ☐ Yes ☐ No

    If Yes - Please provide what is owned by the developer and how it is used: _____

_____

PART II – PREPARER INFORMATION

Name: _____ **Phone:** _____

Title: _____ **Email:** _____

When completed, by HOA representative, this form will be utilized to help determine financing eligibility of a unit within the Project. Completion of this form does not create legal liability on the part of the preparer.

The undersigned hereby certifies that the above information is true and correct to the best of the preparer's knowledge and is presented on behalf of the Homeowners Association for the Project listed.

Signature of HOA Representative: _____ **Date:** _____

LLC BORROWING CERTIFICATE - MULTIPLE MEMBER (NON-QM ONLY) (10/01/2020)

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [INSERT SELLER LEGAL NAME]

The undersigned, being all the members of [_____, a ____ limited liability company]("Borrower"), do hereby certify that they are all of the managers and members of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower, provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$_____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

Signature	Signature
Printed Name _____	Printed Name _____
Title _____	Title _____
Signature	Signature
Printed Name _____	Printed Name _____
Title _____	Title _____

LLC BORROWING CERTIFICATE - SINGLE MEMBER (NON-QM ONLY) (10/01/2020)

LIMITED LIABILITY COMPANY BORROWING CERTIFICATE

TO: [INSERT SELLER LEGAL NAME]

The undersigned, being the sole member of [_____, a_____limited liability company] ("**Borrower**"), does hereby certify that they are the sole and only member of Borrower and, under the Borrower's [Operating Agreement] [Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("**Seller**") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$_____] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [_____, 20__].

_____

By (Signature)

_____

Name (Printed)

_____

Title

NEW SERVICER REFERENCE GUIDE (12/12/2022)

Servicing Item:	Shellpoint Mortgage Servicing
Address for Borrower Payments:	Shellpoint Mortgage Servicing PO Box 650840 Dallas, TX 75265-0840
Address for Correspondence:	Shellpoint Mortgage Servicing PO Box 10826 Greenville, SC 29603-0826
Forwarding Trailing Payments or Escrow Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601
Address for Payoff Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control – Payoffs 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601
Customer Service Information:	Toll-free: 800-365-7107 Website: www.shellpointmtg.com Mon - Fri: 8:00 a.m. to 10:00 p.m. (ET) Saturday: 8:00 a.m. to 2:00 p.m. (ET)
Loss Payee Clause:	Shellpoint Mortgage Servicing Its Successors and/or Assigns ISAOA/ATIMA PO Box 7050 Troy, MI 48007-7050
Requests for VOM:	Send Borrower's authorization and Verification form by either email or fax: Email to: Loanservicing@shellpointmtg.com OR Fax to: 866-467-1184
Requests for Payoff Statements:	Consumer Loans: LoanServicing@shellpointmtg.com OR Fax to: 866-467-1184
Send NSF Reimbursement Requests & Supporting Documentation to:	Email to: SMSPriorServicerNSFRequests@shellpointmtg.com
Forward Trailing Tax or Insurance Documents to:	Tax Documents: LoanServicing@shellpointmtg.com Insurance Documents: Insdocs@shellpointmtg.com
Forward All Other Trailing Loan Documents to:	Send by secure email to: SMSloandocuments@shellpointmtg.com
MERS ORG ID	Sellers / Current Servicer should transfer the Investor and Servicer rights via a TOB/TOS batch to the Verus ORG ID within 5 days of the sale to Verus (Verus ORG ID: 1013178)
Tax Vendor Name and Vendor ID	CoreLogic 11680
Wiring Instructions	Name on Account: Mortgage CDA Bank name: Citibank, NA

Payments (Funds that need to be applied to the payment history):	Bank address: 399 Park Ave, New York, NY 10043 Account #: 31354717 ABA #: 021000089 Ref: Your company name, loan number, borrower name Attn: Cash Control
Wire Detail:	All wires must have loan-level detail in an Excel formatted spreadsheet. Email to: SMSwires@shellpointmtg.com
Wire Instructions: Escrow, Unapplied Reserve, and Interim Funds Transfer Funding (funds borrower[s] has already received credit for on payment history or balances at transfer)	Name on Account: Funding Clearing Account Bank name: Citibank, NA Bank address: 399 Park Ave, New York, NY 10043 Account #: 31354469 ABA #: 021000089 Ref: Servicer / Transfer Date / Transfer ID Attn: T&I Funding
Wire Detail:	All wires must have loan-level detail in an Excel formatted spreadsheet. Email to: e-gvl-funding@shellpointmtg.com

Non-Delegated Eligibility Review

Review Results: Approved Pending Conditions
Report Version: 10/01/2020

Verus LMS ID:		Seller Loan #:	
Submit Date:		Initial Review Date:	
Correspondent Seller:			
Borrower			
Borrower:		Co-Borrower:	
Representative Score:		Representative Score:	
Years on Job:		Years on Job:	
Citizenship:		Citizenship:	
1st Time Buyer:			
Foreign National:			
Borrower 3:		Borrower 4:	
Representative Score:		Representative Score:	
Property			
Address:			
Occupancy:		Appraised Value:	
Property Type:		Appraisal Date:	
Units:		2nd Value Type:	
Sales Price:		2nd Value:	
Year Built:		2nd Value Date:	
Loan Information			
Loan Program:		Documentation Type:	
Loan Amount:			
LTV:		Total Income:	
CLTV:		Residual Income:	
Loan Type:		Front Ratio:	
Amortization Term:		Back ratio:	
Interest Only:		DSCR ratio:	
Note Rate:		Payment Shock:	
Qualifying Method:		Principal & Interest:	
Index Type:		Taxes & Insurance:	
Margin used to qualify:		HOA Dues:	
Initial ATR Index:		Other Debt:	
Lien Position:		Previous total debt:	
Purpose:			
Total Cash Out:		Qualifying Score:	
Total Cash %:		# Of Active Trades:	
Reserves (Months):		Properties owned:	
Cash Reserves:		Escrows:	
Hsg./Mtg. Hist. 30x12:		Hsg./Mtg. Hist. 30x24:	
Hsg./Mtg. Hist. 60x12:		Hsg./Mtg. Hist. 60x24:	
Hsg./Mtg. Hist. 90x12:		Hsg./Mtg. Hist. 90x24:	

Non-Delegated Eligibility Review

This Purchase Eligibility Review Form ("Eligibility Form") is subject to the Mortgage Loan Purchase Agreement, as amended from time to time, between Purchaser and Seller (as those parties are defined therein.) The Eligibility Form represents the results of a credit review based exclusively on the materials submitted by the Seller to determine if the loan meets the applicable underwriting guidelines. Such credit review excludes a determination of whether the loan complies with applicable origination requirements. Purchaser reserves the right to modify or withdraw this Eligibility Form if any of the information contained in the materials provided by the Seller is or becomes inaccurate or incomplete, including any changes in the borrower's credit, employment or any other factor used to determine the borrower's ability to repay the loan.

The eligibility determination provided herein is not a decision or recommendation to extend or deny credit. The Seller is the party solely responsible for making any decision to extend or deny credit. The Seller acknowledges that it will comply with all applicable regulatory requirements, including the Home Mortgage Disclosure Act (HMDA) and the Equal Credit Opportunity Act (ECOA), in connection with its credit decision.

Any granted commitment to purchase the loan will be subject to the following conditions precedent to Purchaser's purchase of the loan: 1) the loan is closed in conformance with this Eligibility Form, including without limitation satisfying all conditions cited herein; 2) to the extent material conditions are cited in post-close diligence that are unrelated to Purchaser's review of the credit file, the Seller has cleared or remediated each condition to the satisfaction of Purchaser in its sole discretion; and 3) Purchaser has not determined, in its reasonable discretion, that any aspect of the credit file appears fraudulent.

NON-OCCUPANT CO-BORROWER CERTIFICATION (NON-QM ONLY) (10/01/2020)

NON-OCCUPANT CO-BORROWER CERTIFICATION

Borrower _____

Co-Borrower(s) _____

Property Address _____

I/We the undersigned certify that:

____ I am/We are the co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).

____ I/We attest that my/our income is/are being taken into account for qualifying purposes only.

____ I/We attest that we do not currently, nor will ever occupy the above-mentioned Subject property.

____ I/We attest that we will sign the mortgage or deed of trust note at closing.

____ I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).

____ I/We do not have an interest in the property sales transaction, such as the property seller(s), the builder(s), or the real estate broker(s).

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

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

Borrower	Date	Co-Borrower	Date
Co-Borrower	Date	Co-Borrower	Date

OCCUPANCY CERTIFICATION

Borrower _____

Co-Borrower(s) _____

Property Address _____

I/We the undersigned certify that:

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

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

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

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

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

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

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

Borrower	Date	Co-Borrower	Date
Co-Borrower	Date	Co-Borrower	Date

Pre-Close Eligibility Checklist - Delegated

Document Submission Checklist - (Not program based, every document may not be applicable)

- ☐ Copy of Loan Estimate
- ☐ Rate Lock Disclosure
- ☐ FNMA 1003 application or similar application (Business Purpose)
- ☐ FNMA 1008 or Seller U/W approval worksheet
- ☐ Credit Report
- ☐ Credit explanation letters
- ☐ Fraud Report
- ☐ Verification of Mortgage/Rent
- ☐ Employment/Income Verification
  - Standard Income Documentation
    - Paystubs
    - W-2's
    - 4506-C
    - W-2 Transcript
    - Tax Returns
    - Tax Return Transcript
    - Profit & Loss
  - Alt Doc - Bank Statement Documentation
    - Income Worksheet (Bank Statement Calculator)
    - Personal Bank Statements
    - Business Bank Statements
    - Profit & Loss Statement
    - Expense Statement Letter
    - Evidence of Self-Employment
    - Written VOE
  - DSCR Documentation
    - Lease Agreement(s)
- ☐ Asset Verification
  - Financial Statements or VOD
  - Earnest Money Documentation
  - Gift Letter and supporting documents
- ☐ Property
  - Appraisal Report (FNMA 1004, 1025, 1073, and 1007 if applicable)
  - Enhanced Desk Review (CDA, ARR, or ARA) or CU® Score
  - Copy of Executed Purchase Agreement/Sales Contract
  - Condo HOA Questionnaire
  - Preliminary Title

Pre-Close Eligibility Checklist - Non-Delegated

- Loan Application (FNMA 1003) for all borrowers
- Initial Loan Estimate issued within 3 business days of application date
- Income documentation for the program – all documentation required to fully verify and calculate qualifying income is required
  - Standard Income Documentation (as applicable)
    - Paystubs
    - W-2's
    - 4506-T
    - W-2 Tax Transcripts
    - Tax returns (signed and dated)
    - Tax Return Transcript
    - YTD Profit and Loss statement
  - Alt Documentation (as applicable)
    - Income Worksheet
    - Personal Bank Statements
    - Business Bank Statements
    - YTD Profit and Loss statement
    - Expense Statement Letter
    - 3rd party evidence of Self-Employment
  - DSCR Documentation
    - Lease Agreement(s) for subject property
- Asset documentation
- Credit report including LOE for recent inquiries
- Mortgage/rental payment histories – VOM/VOR
- Hazard/Flood insurance documentation
- Appraisal Report and 3rd party valuation
- Preliminary Title commitment
- Purchase contract

SECURITY RELEASE FORM (03/07/2023)

SECURITY RELEASE FORM

Date: _____

Seller Name: _____

Seller Address: _____

_____ ("Seller") hereby acknowledges that it has exclusive right, title and interest in the mortgage loans referenced in Schedule A ("Mortgage Loans") attached hereto and that the Mortgage Loans or any interest therein have not been pledged or assigned to any financial institution or other party. Seller further acknowledges that the bank account designated below is the Seller's business bank account. Immediately upon Purchaser receiving confirmation of the payment of the purchase proceeds to the account designated below, the Seller hereby agrees that all right, title and interest in the Mortgage Loan shall be released to the Purchaser.

Wire Instructions: _____

Bank Name: _____

City State: _____

ABA #: _____

Account #: _____

Account Name: _____

Bank Contact Name: _____

Phone Number: _____

Email Address: _____

Seller Contact Name: _____

Phone Number: _____

Email Address: _____

_____
By (Signature)

_____
Name (Printed)

_____
Title

SPOUSAL CONSENT FORM (NON-QM ONLY) (10/26/20)

CONSENT OF SPOUSE

I, [**Name of Spouse**], spouse of [**Name of Guarantor**], acknowledge that I have read the [**Guaranty**], dated as of [**Closing Date**], by [**Name of Guarantor**] (the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of [**Name of Borrower**] ("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of [**Name of Seller**] ("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

Signed _____

Name of Spouse _____

Spouse Address _____

_____

_____

State of _____

County of _____

The foregoing instrument was acknowledged before me on this _____, 20____ by _____ (spouse).

(Notary Seal)

_____

Signature of Notary Public

STACKING ORDER (NON-QM ONLY) (04/25/2022)

STACKING ORDER			
Loan Information		**Seller Information**	
Loan Number:		**Company Name:**	
Borrower Name:		**Contact:**	
Property Address:		**Contract Email:**	
Closing Documents			
	Original Note with Endorsement/Allonge		
	Security Instrument with riders/addendums; including legal description		
	Closing Disclosure (CD)		
	Title Commitment and/or Binder		
	Hazard Insurance Policy and/or Binder		
	Flood Insurance		
	Flood Insurance Policy and/or Binder		
	Right of Rescission if applicable		
	All Federal and State Disclosures		
	Amortization Schedule		
	W9 – EIN if applicable		
	Borrower Certification of Business Purpose on Investor Solutions product		
	Personal Guarantee if applicable		
	Loan Agreement if applicable		
	Occupancy Certifications as applicable		
	ACH – Automatic Payment Authorization REQUIRED for Foreign National borrower		
	Borrower Contact Consent form, if applicable (only required for Foreign National borrower)		
Loan Information			
	Note Rate Lock between Client & Borrower(s)		
	Ability to Repay confirmation & UW ATR worksheet		
	Final 1008 (Uniform Underwriting Transmittal Summary)		
	Final 1003 (Uniform Residential Loan Application)		
	Initial 1003		
Credit			
	Credit Report with Credit Expiration if applicable		
	Verification of Mortgage and/or Rent		
	CD for Previous property sale		
Income			
	Verification of Employment, Pay Stubs, W-2s, Tax Returns, Retirement/Fixed Income (Social Security, Pension)		
	Bank Statements if uses to determine income: 24- or 12-months business or personal		
	Profit & Loss Statement or Expense Letter if applicable		
	Verbal Verifications of Employment		
	Rental/Lease Agreements		
	Signed IRS Form 4506C if applicable		
	Transcripts if applicable		
Assets			
	Verifications of Deposit, Bank Statements, Brokerage/Retirement Statements		
	Verification of Earnest Money Deposit		
	Gift Letter and Proof of receipt		
Property			
	Executed Sales Contract		
	Appraisal(s)		
	Enhanced Desk		
	Final Inspection if applicable		
	Condo/PUD Information including project review determination		
Additional Underwriting/QC Documents			
	Loan Estimate and all Federal and State Disclosures		
	All Automated Fraud & Data Check Results		
	Any other documentation used to make underwriting /loan decision		
	04/25/2022		

TAXPAYER CONSENT FORM (10/01/2020)

Consent to Share Tax Returns

Loan: _____

Borrower: _____

Date: _____

I understand, acknowledge, and agree that _____ ("Seller") and Other Loan Participants can obtain, use and share tax return information for purposes of (i) providing an offer; (ii) originating, maintaining, managing, monitoring, servicing, selling, insuring, and securitizing a loan; (iii) marketing; or (iv) as otherwise permitted by applicable laws, including state and federal privacy and data security laws. The Seller includes the Seller's affiliates, agents, service providers and any of aforementioned parties' successors and assigns. The Other Loan Participants includes any actual or potential owners of a loan resulting from your loan application, or acquirers of any beneficial or other interest in the loan, any mortgage insurer, guarantor, any servicers, or service providers for these parties and any of aforementioned parties' successors and assigns.

_____

Borrower

_____

Co-Borrower

VERUS CONTACT FORM (04/03/2023)

VERUS CONTACT FORM

Main Number:	202-534-1816
Hours of Operation:	8:30 am – 5:30 pm CT
LockDesk@verusmc.com	Registration, locking, and extension questions
EastTeam@verusmc.com	Credit and file questions
WestTeam@verusmc.com	Credit and file questions
SystemSupport@verusmc.com	New user, password reset, general system, or system navigational questions
Collateral@verusmc.com	Pre-funding collateral document questions
MERS@verusmc.com	MERS questions
Nondelteam&verusmc.com	Non-Delegated Team - General or loan level questions
Postcloseconditions@verusmc.com	Flow closed loan diligence or funding questions
Purchaseauditorteam@verusmc.com	Bulk closed loan diligence or funding questions
Servicingtransfers@verusmc.com	Servicing transfer questions
Finaldocs@verusmc.com	Final documents or post-acquisition documents

CHAPTER 5 - MATRICES (04/03/2023)

(See separate Loan Matrices Document)