Verus Prime Jumbo (QM/Appendix Q) Loan Delivery and Underwriting Guide

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1.1.0 - INTRODUCTION

This Prime Jumbo Guide offers a program for large balance loans, that exceed Fannie Mae or Freddie Mac (Agency or GSE) loan limits. All loans submitted for purchase under the Prime Jumbo program must meet the definition of a Qualified Mortgage (QM) as defined in Regulation Z 1026.43 (e).

All loans must be manually underwritten and follow the standards for determining monthly debt and income as detailed in Appendix Q to Part 1026 – Standards for Determining Monthly Debt and Income. Sellers should refer to and follow the Appendix Q standards when determining the Qualified Mortgage status. The most current version of the final regulatory actions can be found on the Consumer Financial Protection Bureau (CFPB) website under the Policy and Compliance tab.

The link to Appendix Q to Part 1026 can be found here:

https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1026/Q/

Loans eligible for sale to Fannie Mae or Freddie Mac are not eligible for this Program. Loans sold to Verus must meet the criteria of the current published guide and Product At-A-Glance as of the file application date.

Regardless of any other agreement between the Seller and Verus, all loans delivered under the Prime Jumbo program are subject to an Early Payment Default period for the first six (6) payments due to Verus.

Section 1 of this Guide establishes the minimum credit eligibility criteria for loans delivered for purchase by Verus. Section 2 of this Guide establishes the minimum requirements that must be met for approved mortgage loan originators ("Sellers") to conduct business with Verus Mortgage Capital and its affiliates ("Verus") in the purchase and sale of closed mortgage loans.

The Underwriting Guidelines in SECTION 1, along with the Verus Delivery Guides in SECTION 2 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 Delivery 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; 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.

1.1.1 - IMPORTANT ADDRESSES, CONTACT INFORMATION AND HOURS OF OPERATION

See Verus Contact Form for current phone and contact information.

1.2.0 - PRIME JUMBO MATRIX

Prime Jumbo – Full Doc (Appendix Q)				
Maximum LTV/CLTVs		**Primary Residence**		
Credit Score	**Loan Amount**	**Purchase**	**R/T Refinance**	**Cash-Out Refinance**
740+	<=1,000,000	85	80	75
	1,000,001 – 1,500,000	85	80	75
	1,500,001 – 2,000,000	80	80	70
	2,000,001 – 2,500,000	75	75	65
	2,500,001 – 3,000,000	70	70	NA
720– 739	<=1,000,000	85	80	75
	1,000,001 – 1,500,000	80	80	75
	1,500,001 – 2,000,000	80	80	NA
	2,000,001 – 2,500,000	70	70	NA
700 - 719	<=1,000,000	80	80	75
	1,000,001 – 1,500,000	80	80	NA
	1,500,001 – 2,000,000	80	80	NA
Maximum LTV/CLTVs		**Second Home**		
740+	<=1,000,000	80	80	70
	1,000,001 – 1,500,000	80	80	65
	1,500,001 – 2,000,000	75	75	65
	2,000,001 – 2,500,000	70	70	NA
720 – 739	<=1,000,000	80	80	65
	1,000,001 – 1,500,000	75	75	NA
	1,500,001 – 2,000,000	75	75	NA
	2,000,001 – 2,500,000	70	70	NA
Maximum LTV/CLTVs		**Investment***		
740+	<=1,000,000	70	70	NA
	1,000,001 – 1,500,000	70	70	NA
	1,500,001 – 2,000,000	60	60	NA

Property Type Restrictions	Cash-out Restrictions
• 2-4 Units, max LTV 75% and reduce LTV 5% in every cell/tier • Condo: Max LTV 75%	• Not eligible in HI, TX • Max LTV: 65% - Condos in state of FL

*An investment property that is the subject property, which generates a negative cash flow is not eligible.

1.2.1 - ELIGIBLE PRODUCTS

The following loan products are eligible for purchase by Verus:

PRODUCT
15 YR FIXED
30 YR FIXED

QUALIFYING PAYMENT

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.

- Fixed rate fully amortizing – The initial note rate.

1.2.2 - INELIGIBLE PRODUCT TYPES

- Loans with an Interest Only feature
- Loans with balloon payments
- Loans that do not meet the definition of Qualified Mortgage
- Loan Terms in excess of 30 years
- Texas Home Equity 50(a)(6)

1.2.3 - LOAN AMOUNTS

PRIME JUMBO	
Minimum Loan Amounts	
1 Unit	$548,251
2 Units	$702,001
3 Units	$848,501
4 Units	$1,054,501
For Properties in High Cost Areas, the following apply:	
1 Unit	$822,376
2 Units	$1,053,001
3 Units	$1,272,751
4 Units	$1,581,751

1.2.4 - MINIMUM CREDIT SCORE

PRIME JUMBO
700

1.2.5 - INTERESTED PARTY CONTRIBUTIONS (SELLER CONCESSIONS)

Owner Occupied

- maximum contribution: 6%

Non-Owner Occupied

- maximum contribution: 2%

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, buying or selling real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.

Interested party contributions may only be used for closing costs 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.

1.2.6 - NON-ARM'S LENGTH TRANSACTIONS

1.2.6.1 - NON-ARM'S LENGTH TRANSACTION

A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property builder, developer, or seller. 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)).

1.2.6.2 - INTERESTED PARTY TRANSACTION

A Conflict-Of-Interest Transaction occurs when the borrower has an affiliation or relationship with the Mortgage Broker, Loan Officer, Real Estate Broker or Agent, or any other interested party to the transaction.

In the case of the Mortgage Broker, Loan Officer, or Real Estate Broker/Agent, extra due diligence must be exercised. For example, the Seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property. An examination of the relationship among the Mortgage Broker, Title/Escrow Companies, Appraiser and any other party to the transaction must be closely examined. A Letter of Explanation regarding the relationship between the parties is required.

1.2.6.3 - ELIGIBLE NON-ARM'S LENGTH AND INTERESTED PARTY TRANSACTIONS

- Buyer(s)/Borrower(s) representing themselves as agent in real estate transaction.
    - Commission earned by buyer/borrower cannot be used for down payment, closing costs, or monthly PITIA reserves.
- Seller(s) representing themselves as agent in real estate transaction.
- 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.
    - Standard Documentation only.
    - Gift of Equity not eligible.
    - Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.

1.2.6.4 - NON-ARM'S-LENGTH AND INTERESTED PARTY RESTRICTIONS

- Primary residences only.
- Borrower to provide a cancelled check verifying the 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.
- Property trades between buyer and Seller are not allowed.

1.2.7 - ESCROWS - IMPOUND ACCOUNTS

Escrow funds/impound accounts 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 mortgage) premiums, ground rents, or water/sewer taxes. If flood insurance is required, an escrow account must be established for the flood insurance premium.

1.2.8 - 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.

1.2.9 - LOAN EXCEPTIONS

Exceptions to published eligibility criteria will be considered on a case by case basis and may be subject to an additional review fee and price adjustment.

Exceptions to Appendix Q to Part 1026 – Standards for Determining Monthly Debt and Income or Qualified Mortgage Rule will not be considered.

1.2.10 - FEES

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
Condo Project Review Fee	$150
Flood Cert/Life of Loan Fee	$17.50
Overdue MERS Transfer Fee	$25
Non-MERS Transfer Fee	$75
Overdue Trailing Document Fee (not delivered within 90 days of purchase)	$75

TAX SERVICE FEE	
Loan Balance	**Fee**
< 999,999	$80
1,000,000 – 1,099,999	$90
1,100,000 – 1,199,999	$100
1,200,000 – 1,299,999	$110
1,300,000 – 1,399,999	$120
1,400,000 – 1,499,999	$130
$10 for every $100,000 increase in loan balance	

1.2.11 - BORROWER STATEMENT OF OCCUPANCY

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

The Seller's underwriters must address any red flags that may indicate the property is not intended exclusively for investment purposes. Common occupancy red flags include:

- Subject property value exceeds the value of the borrower's primary residence
- The borrower is currently renting his/her primary residence
- Subject property could reasonably function as a second home

1.2.12 - LISTING SEASONING

For all cash-out refinances, properties previously listed for sale must be seasoned at least six months from the listing contract expiration date to the loan application date.

1.2.13 - AGE OF DOCUMENT REQUIREMENTS

1.2.13.1 - 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

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

- Credit Report
- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

1.2.13.2 - APPRAISAL

The appraisal must be dated within 120 days of the Note date. An appraisal exceeding 120 days is not eligible and a new appraisal is required.

1.2.13.3 - CLARIFICATION

It may be necessary for the applicant/borrower to explain or clarify information provided on the application or for a third-party to clarify information provided on a verification request form. This should be completed in writing and included in the submitted file.

1.2.13.4 - 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.

1.3.0 - PROPERTY ELIGIBILITY

1.3.1 - APPRAISALS

1.3.1.1 - APPRAISAL REQUIREMENTS

Verus reserves the right to review all valuation reports and determine if the subject property value is supported. Transferred appraisals are not allowed.

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. The licensed appraiser is required to perform an interior inspection when completing the appraisal report.

The appraisal should be dated no more than 120 days prior to the Note date, after 120 days, a new appraisal report is required.

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

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

- The loan balance exceeds $1,500,000.
- 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

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.

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

An appraisal transfer letter is not acceptable.

1.3.1.2 - APPRAISAL REVIEW REQUIREMENTS

APPRAISAL REVIEW PRODUCTS

An appraisal review product is required on every loan file unless a second appraisal is obtained.

For files requiring an appraisal review product, two (2) options are available:

- An enhanced desk review product. These are eligible choices:
  - ARR from Pro Teck
  - CDA from Clear Capital
  - ARA from Computershare
- A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.

If the enhanced desk review product (ARR, CDA, or ARA) reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be either a field review or a second appraisal. These must be from a different appraisal company and appraiser than the original appraisal.

1.3.1.3 - MINIMUM PROPERTY REQUIREMENTS

MINIMUM SQUARE FOOTAGE		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-4 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.

1.3.1.4 - 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/HCLTV.

1.3.1.5 - 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.

1.3.1.6 - DECLINING MARKETS

If the trend of property values is downward, a "Declining Market" exists. This requires a 5% LTV reduction from the standard LTV matrix.

1.3.1.7 - SOLAR PANELS

Any fixture that includes a UCC filing associated with the property and/or will create an easement on title is ineligible.

1.3.2 - PROPERTY TYPES

1.3.2.1 - ELIGIBILE PROPERTIES

- Single Family Detached
- Single Family Attached
- 2-4 Unit properties
- Fannie Mae warrantable condos
- Properties of 10 acres or less without any ineligible features

1.3.2.2 - INELIGIBLE PROPERTIES

- Leasehold
- Non-warrantable condos
- Mixed Use properties
- Vacant land or land development properties
- Deed-restricted and resale-restricted properties are ineligible
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Properties zoned agricultural (including farms, ranches, or orchards)
- Hobby Farms or properties having agricultural features (barns, stables, arena, etc.)
- Properties zoned commercial
- Manufactured or Mobile homes
- Condo-hotels or co-op/timeshare hotels
- Projects that include registration services and offer rentals of units on a daily, weekly, or monthly basis
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- 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
        - Any two (2) of the following conditions exist:
            - The property is located on a gravel road.
            - Two of the three comparable properties are more than 5 miles from the subject property.
            - Less than 25% of the surrounding area is developed.

1.3.3 - ACREAGE LIMITATIONS

- A maximum of 10 acres.
- No truncating allowed.

1.3.4 - STATE ELIGIBILITY/GEOGRAPHIC RESTRICTIONS

- Nationwide - excluding Puerto Rico, Guam, and the US Virgin Islands
- Max LTV 80%: CT, IL, NJ, NY

1.3.5 - PROPERTY FLIPPING

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.

If the property is a "flip" as defined above, the following additional requirements apply:

- A second appraisal must be obtained.
- If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
- The second appraisal must be dated prior to the loan consummation/note date.
- The property Seller on the purchase contract must be the owner of record.
- Increases in value should be documented with commentary from the appraiser and recent comparable sales.
- Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

1.3.6 - TITLE VESTING AND OWNERSHIP

Ownership must be fee simple title. 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

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.
- 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

1.3.7 - TITLE POLICY REQUIREMENTS

Each loan delivered to Verus 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.

1.3.7.1 - TERMS OF COVERAGE

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 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 ATLA 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.

1.3.7.2 - 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.

1.3.7.3 - AMOUNT OF COVERAGE

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

1.3.7.4 - 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.

1.3.7.5 - 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.

1.3.7.6 - 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.

1.3.7.7 - 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.

1.3.7.8 - 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.

1.3.7.9 - 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.

1.3.8 - LIMITATIONS ON FINANCED PROPERTIES

- Primary Residence – no limits on number of financed properties the borrower owns.
- Second Homes/Investment - a maximum of 6 financed properties including subject loan may be presented for Verus loan purchase.
- Commercial or multi-family (5+ units) property does not apply to the cap of 6 financed properties.

- Verus' exposure to a single borrower shall not exceed $5,000,000 in current unpaid principal balance (UPB) or six (6) properties.
- All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property. The total reserve requirement is not to exceed 12 months.

1.3.9 - 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 https://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.

1.3.9.1 - APPRAISALS COMPLETED PRIOR TO DISASTER

An interior and exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

1.3.9.2 - 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.

1.3.9.3 - DISASTER EVENT OCCURS AFTER CLOSING BUT PRIOR TO LOAN PURCHASE

A loan is ineligible for purchase until an inspection is obtained using one of the following options:

- A Post Disaster Inspection (PDI) Report from Clear Capital or Damage Assessment Report (DAR) from Pro Teck may be used. Any indication of damage reflected on the report will require a re-inspection by the appraiser.
- The appraiser may perform an inspection (Fannie Mae 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. https://www.fema.gov/disasters/disaster-declarations

1.3.10 - CONDOMINIUMS

Fannie Mae warrantable projects are eligible, subject to the following:

- The Seller may review and approve Fannie warrantable projects. A certification, similar to Condominium Project Warranty Certification must be provided with the loan package along with the Condo Questionnaire and any other documents used in the eligibility determination.
- The Fannie Mae Limited or Full Project Review Process/Criteria may be used to determine project eligibility.
- The Seller may submit a request for Verus to complete a project eligibility review.

- To submit a project review, log in to LMS Connect https://verus-lmsconnect.streetsolutions.com/ to complete the required loan registration information and provide the following documents:
    - Condo Questionnaire
    - Established project certification
    - Current annual budget
    - Current balance sheet (Dated within 60-days of review request)
    - Evidence of current H06 insurance in compliance with Fannie Mae guidelines
- Non-warrantable projects are not eligible.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTV.
- 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.

Restrictions: The following criteria applies to any loan secured by a condominium:

- The maximum LTV/CLTV is the lower of 75% or the current matrix.
- Cash-out transactions secured by a Condo in the state of Florida max LTV: 65%
- Verus' project exposure maximum shall be $5,000,000 or 15% of the project total, whichever is lower.
- The borrower project/unit concentration limit: two (2) units.

1.3.10.1 - GENERAL PROJECT CRITERIA

- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Project meets all Fannie Mae insurance requirements for property, liability, and fidelity coverage.
- 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.
- Projects that are Fannie Mae Warrantable may be reviewed and approved by Seller Underwriter. A Representation and Warranty certification from the Seller Underwriter stating that the project meets the requirements of a Fannie Mae Warrantable Project, such as the Condominium Project Warranty Certification, must be provided with the loan package to avoid a Verus project review and associated expense.

1.3.10.2 - INELIGIBLE PROJECTS

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Condominium Hotel - Condotel
    - A condominium project in which any unit owner or the homeowners' association is a party to a revenue-sharing agreement with either the developer or another third-party entity.
    - A condominium project where the unit is not the lessee's residence.
    - Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
    - Projects with names that include the words "hotel," "motel," "resort," or "lodge."
    - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
    - Hotel or motel conversions (or conversions of other similar transient properties.)

- Resort type of project.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- A new condo conversion completed less than 2 years ago.
- 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.
- Any project in which a single entity owns more than 25% of the total number of units. In projects that have 5-19 units, one owner can own a maximum of two units.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A project in which more than 50% of the total square footage in the project, or in the building that the project is located in, is used for non-residential purposes.
- 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).
- 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).
- Project units sold with excessive Seller contributions that may affect the value of the subject property.
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in litigation, arbitration, mediation, or other dispute regarding safety, soundness or habitability.
- Any project with adverse environmental issue(s) involving safety, soundness or habitability.

  Projects that are not well-managed or in poor physical or financial condition. This might include excessive special assessments, low reserves, or neglected repairs.

1.4.0 - TRANSACTION TYPES

1.4.1 - ELIGIBLE TRANSACTIONS

1.4.1.1 - PURCHASE

- 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.

1.4.1.2 - RATE/TERM REFINANCE

Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- 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 where used for personal/consumer use).

- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- LTV/CLTV is based upon the appraised value.
- Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

1.4.1.3 - CASH-OUT

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Product At-A-Glance for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- Cash-out not eligible to satisfy the reserve requirements for the transaction.
- A letter explaining the use of loan proceeds is required for all transactions.
- Loans not eligible for cash-out:
  - Properties listed for sale in the past six (6) months.
  - There has been a prior cash-out within the past six (6) months.
  - Land Contract/Contract for Deed.
  - Loans secured by property located in the following States: HI & TX.
  - Loan secured by a condominium in the State of FL limited to max LTV: 65%
- Cash-Out Seasoning is defined as the difference between application date of the new loan and the property acquisition date.
  - 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 less than six (6) months is not allowed.

1.4.1.4 - DELAYED FINANCING

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 90 days of the loan application.

  - 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 and cash-out Loan/LTV limits apply.

1.5.0 - BORROWER ELIGIBILITY

1.5.1 - RESIDENCY

1.5.1.1 - US CITIZEN

Eligible without guideline restrictions.

1.5.1.2 - PERMANENT RESIDENT ALIEN

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

- Acceptable evidence of permanent residency include the following:
  - Alien Registration Receipt Card I-151 (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.

1.5.1.3 - NON-PERMANENT RESIDENT ALIEN

An alien 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.

- Legal Status Documentation
  - Visa types allowed: E-1, E-2, E-3, EB-5, G-1 through G-5, H-1, L-1, NATO, O-1, R-1, TN NAFTA.
  - Visa must be current. If the visa will expire within six (6) months following the close date, additonal documentation is required: evidence that the proper extension steps have been followed per the USCIS website, along with proof of payment receipt and proof that the extension was done in the timeframe required by USCIS.
  - When applicable, a valid Employment Authorization Document (EAD) is required for US employment if borrower is not sponsored by a current employer. If the visa will expire within six (6) months of loan application, it is aceptable to obtain a letter from the employer documenting the borrower's continued employment and continued visa renewal sponsorship. The employer on the loan application must be the same as on the unexpired visa.
- Credit and Income requirements:
  - Must have a valid Social Security Number.
  - Must have a minimum two (2) year U.S. credit history.
  - Must have a minimum of two (2) year employment history with a U.S. based employer. Income for qualifying purposes must be from the U.S.
  - Two years of U.S. tax returns required
  - Must have an established asset base in the U.S. for at least two (2) years. Funds from outside the U.S. are not acceptable.
- Any borrower not meeting the above criteria is not eligible.

1.5.2 - NON-OCCUPANT CO-BORROWERS

- Not allowed.

1.5.3 - FIRST-TIME HOME BUYERS

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.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- 12-month rental history is required, reflecting 0x30.
- Minimum 5% contribution from the borrower's own funds
- Payment shock should not exceed 300% of the borrower's current housing payment unless the DTI is less than or equal to 36%. If payment shock exceeds this limit, the underwriter must provide justification of the borrower's ability to handle the increased payment.

Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100

1.6.0 - CREDIT

1.6.1 - CREDIT REPORTS

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.

1.6.2 - LOAN INTEGRITY AND FRAUD CHECK

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrower(s), Seller(s), Broker, Loan Officer, and Real Estate Agent(s) must be submitted to an automated fraud and data check tool (i.e., Fraud Guard, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx and Instant ID, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

1.6.3 - CREDIT INQUIRIES

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. 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.

1.6.4 - HOUSING HISTORY

1.6.4.1 - MORTGAGE/RENTAL VERIFICATION

A current mortgage/rental history, for the most recent 24-month period, is required for all Verus programs. Current means the borrower has made all mortgage payments due in 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.

If a borrower's mortgage or rental history is not reported on the credit report, alternative documentation showing the most recent 24-month history (cancelled checks, mortgage/rental statements including payment history, etc.) must be provided. A VOM/VOR completed by a private-party Seller or any non-institutional lender must be supported by cancelled checks. A borrower's combined mortgage/rental history is used for program or grade eligibility.

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. Any balloon notes with an expired maturity date exceeding 30 days requires an extension to avoid being counted as delinquent.

1.6.4.2 - LIVING RENT-FREE

Borrowers who live rent-free or without a complete 24-month housing history are allowed, with the following restrictions:

- Primary residence only
- Rent free period resulting from the sale of a previous primary residence permitted up to 90-days
- Combination of a prior mortgage and current housing can make up the 24-month housing history.

1.6.4.3 - DEPARTURE RESIDENCE

- 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 excluded provided the credit file is documented with all the following:
    - The borrower has a minimum equity position in the departing residence of at least 25% verified by one of the following methods:
        - A current (no more than six-month-old) residential appraisal; or
        - Comparing the unpaid principal balance of the existing loan to the original sales price of the property.
    - Market Rent Analysis, Single Family Comparable Rent Schedule (Fannie Mae Form 1007)
    - Copy of a current lease
    - Evidence of proof of receipt of damage deposit and first month's rent.

1.6.5 - CONSUMER CREDIT

1.6.5.1 - 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.

1.6.5.2 - 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.

1.6.5.3 - 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.

1.6.5.4 - 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.

1.6.5.5 - BALLOON-PAYMENT

Balloon-payment notes that come due within one year of the loan closing must be considered in the underwriting analysis.

1.6.5.6 - 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 and closed 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 and the account closed.

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.

1.6.5.7 - TIMESHARES

Timeshare obligations will be treated as a consumer installment loan.

1.6.5.8 - BUSINESS DEBT IN BORROWER'S NAME

A business debt is a financial obligation of a business and can be the sole responsibility of the business or be personally secured by 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. Unless the borrower can provide conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against him/her in the event of default, the debt must be included in the DTI.

1.6.5.9 - CONTINGENT LIABILITY ON COSIGNED OBLIGATIONS

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 primary obligor, and the primary obligor has been making regular payments during the previous 12 months, and does not have a history of delinquent payments on the loan during that time, the payment does not have to be included in the borrower's monthly obligations.

1.6.5.10 - CONSUMER CREDIT CHARGE-OFFS AND COLLECTIONS

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 $1,000, must be paid in full prior to or at closing.

1.6.5.11 - JUDGMENT OR LIENS

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

1.6.5.12 - INCOME TAX LIENS

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 six (6) 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.

1.6.5.13 - 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.

1.6.5.14 - LAWSUITS

Any borrower that is a party to a lawsuit is ineligible.

1.6.6 - BANKRUPTCY HISTORY

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of 84 months. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

1.6.7 - FORECLOSURE SEASONING

Foreclosures must be completed a minimum of 84 months. 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.

1.6.8 - SHORT SALE / DEED-IN-LIEU SEASONING

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of 84 months.

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.

1.6.9 - FORBEARANCE, MODIFICATION, OR DEFERRALS

Forbearance, loan modifications, or deferrals are treated as a short sale / deed-in-lieu for eligibility and pricing purposes. This includes any loan in forbearance or a deferral due to COVID-19. Any loan payment history that appears to reflect the above may require additional documentation, such as canceled checks or bank statements to show payments were made.

1.6.10 - CREDIT SCORE

Loan eligibility is based upon a Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. Use the lower of two (2) or middle of (3) credit scores generated to determine the Decision Credit score. For loan files with multiple borrowers, use the lowest decision score amongst all the borrowers.

1.6.11 - TRADELINES

1.6.11.1 - STANDARD TRADELINES

For All Programs:

- At least three (3) tradelines reporting for a minimum of 24 months, with activity in the last 12 months; or
- At least one (1) mortgage reporting for 12 months and three (3) trades reporting open/closed in the past 12 months.
- The following are not acceptable to be counted as tradelines:
  - “non-traditional” credit as defined by Fannie Mae
  - 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

1.6.12 - OBLIGATIONS NOT APPEARING ON CREDIT REPORT

1.6.12.1 - HOUSING AND MORTGAGE-RELATED OBLIGATIONS

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 Form 1003 loan application. These obligations must be verified 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.

1.6.12.2 - 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.

1.6.13 - ADDITIONAL CREDIT CRITERIA

- Inquiries: Recent inquiries within 90 days of the credit report date must be explained by the borrower.
- New debt/liabilities: A verification of all new debt/liabilities must be provided, and the borrower should be qualified with the additional monthly payment.
- Gap credit: A gap credit report is required within 10 days of closing.

Verus reserves the right to request a newly processed credit report pre-loan closing or prior to the Verus loan funding date to confirm that no new debt/liabilities have been added.

1.7.0 - ASSETS

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

1.7.1 - ASSET REQUIREMENTS

Sufficient funds for down payment, closing costs, and reserves are required to be documented in each credit file. The documentation must cover a minimum two-month time period. The documentation should be dated within 60 days of the loan note date.

1.7.2 - ASSET DOCUMENTATION

In addition to documenting the down payment, closing costs, and minimum PITIA reserve requirements, all borrowers are encouraged to disclose (and the Seller must verify) all of the borrower's liquid assets. The Seller can use any of the following as asset documentation:

- Account statements (bank, credit union, brokerage, etc.) covering the most recent 60-day period.
- When bank statements are used for asset verification, the statements can be obtained from the borrower or the Seller can use a third-party asset vendor participating in Fannie Mae's "Day 1 Certainty" process. Regardless of the source of the statements, any large deposits must be evaluated. Large deposits are defined as any single deposit that represents more than 50% of the borrower's monthly income.
- Request for Verification of Deposit (Fannie Mae Form 1006).
- Stocks/bonds/mutual funds - 100% of stock accounts may be considered in the calculation of assets for closing and reserves.
- Vested retirement account funds - 60% may be considered for closing and/or reserves.

The Seller cannot use any of the following as asset documentation:

- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves.
- Any assets which produce income or are used as income already included in the income calculation are not eligible for use as down payment or reserves.
- Assets/funds held outside the U.S.

1.7.2.1 - SOLE PROPRIETOR ASSETS/BUSINESS FUNDS

- Business funds may be used for down payment and closing costs. The borrower must be listed as an owner of the account, and the account needs to be verified according to the above requirements.
- Business funds are not eligible to satisfy reserve requirements.
- If business funds are used, the borrower must be the sole proprietor or 100% owner of the business.
- A CPA letter must be included in the credit file that the withdrawal will not harm the financial strength of the business.

1.7.3 - DOWN PAYMENT

Sellers must require that the borrower state the source of the down payment and provide verification. If the Seller determines that the source of the down payment is another extension of credit, the Seller must then consider that loan as simultaneous secondary financing. Refer to the 1.2.8 - Secondary Financing section above.

1.7.4 - RESERVES

- The Verus loan program requires minimum reserves as outlined on the Verus Product matrices.
- Additional reserves - Each financed property, in addition to the subject property, will increase the applicable reserve requirement by two (2) months of PITIA on the subject property, to a maximum requirement of 12 months of reserves. (Additional reserves are based upon the PITIA of the subject property).
- Reserves must be sourced and documented as specified in the 1.7.2 - Asset Documentation section of these guidelines.
- 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.

1.7.5 - 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.

2) For Investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.

1.7.5.1 - ELIGIBILE DONORS AND DOCUMENTATION

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.

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

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 only. Must meet all other guidelines for Gift Funds.

1.7.6 - INELIGIBLE FUNDS

The following funds are not eligible sources for down payment, closing costs, and reserves:

- Cash-on-hand
- Cryptocurrency
- Sweat equity
- Grant funds
- Down payment assistance programs
- Unsecured loans or cash advances

1.8.0 - INCOME

1.8.1 - INCOME ANALYSIS

1.8.1.1 - INCOME WORKSHEET

The loan file must include an income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show income/loss details for each business separately, not in aggregate.

1.8.1.2 - EMPLOYMENT/INCOME VERIFICATION

- A minimum two (2) year employment history is required to be documented, including past employment within the two (2) year period. A W-2 from a prior employer within the two (2) year period doesn't reflect actual employment dates, a VOE or paystubs should be obtained to support no gaps in employment existed.
- If any borrower is no longer employed in the position disclosed on the Form 1003 at the Verus purchase date, Verus will not purchase the loan.

1.8.1.3 - STABILITY OF INCOME

- Stable monthly income is the borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three (3) years. The Seller must determine that both the source and the amount of the income are stable.
- A two-year employment history is required for the income to be considered stable and used for qualifying.
- When the borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the stability of the income used to qualify the borrower.
- While the sources of income may vary, the borrower should have a consistent level of income despite changes in the sources of income.
- Any gaps in employment that span one or more months must be explained. Any gap greater than 60-days, that occurred in the most recent 12-months, is not eligible.

1.8.1.4 - EARNINGS TRENDS

When analyzing borrower earnings, year-over-year earnings trends must be incorporated into the borrower's income calculation in accordance with Appendix Q to Part 1026 of Regulation Z - Standards for Determining Monthly Debt and Income.

Year-to-date (YTD) income amounts must be compared to prior years' earnings 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: The income amounts should be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income, 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 should be used.
- Declining: If the trend is declining, the income is not eligible.

1.8.2 - DEBT-TO-INCOME (DTI) RATIO

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Appendix Q standards for monthly debt and income.

Maximum DTI Ratio

- All transactions – 43%

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 Grade determination and must remain current throughout the transaction.

1.8.3 - INCOME DOCUMENTATION

Income should be calculated and documented according to Appendix Q criteria. Two (2) years of Standard income documentation is required for the Prime Jumbo program. In addition to wage/salary income, Standard documentation includes various other types of income. See 1.8.4.4 - Other Sources of Income for documentation requirements. If a specific source of income is not referenced in Appendix Q or Section 2.7.4.3 - Other Sources of Income within this Guide, contact Verus for guidance. The Seller income worksheet should be included and delivered as part of the credit file.

1.8.3.1 - IRS FORM 4506-T

The IRS Form 4506-T is required in every file, it must be signed by the borrower and the tax transcript(s) (W-2, personal and/or business return) as applicable must be provided in the credit file. 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.)

1.8.3.2 - 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 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.

1.8.4 - FULL DOCUMENTATION – APPENDIX Q

Income Documentation established by Appendix Q and any overlays defined below is required.

1.8.4.1 - RESTRICTIONS

- See the Verus Matrices for maximum LTV/CLTV and DTI.
- The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees actually return to work they are unable to provide evidence of stable and reliable employment related income.

1.8.4.2 - FULL DOCUMENTATION – APPENDIX Q

- For wage or salaried borrowers, the following are required:
  - The borrower's most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms covering the most recent two-years.
  - A verbal Verification of Employment (VOE) from current employer, may not be dated more than 5-calendar days prior to closing date. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE.
  - The existence of the borrowers' employer must also be documented via a third-party verification.
  - A completed, signed, and dated IRS Form 4506-T is required for each borrower. The form should be executed and the W-2 transcript for each year must be included in the credit file. Any discrepancies between the two (2) documents should be explained and, if necessary, additional documentation obtained to satisfy the discrepancy.
  - Any self-employment income reflected on the loan application requires tax returns, a YTD P&L and balance sheet prepared by a 3rd party, signed and dated by the borrower(s). No exclusions permitted.
  - Any rental property reflected on the loan application requires the file be documented with tax returns and a current lease for that property included in the file.

- For self-employed borrowers, including 1099 contractors, the following are required:
  - The most recent two (2) years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. (Transcripts are not acceptable in lieu of signed and dated tax returns)
  - If the borrower pays themselves wage income, a YTD paystub must be included in the file.

- A 3rd party prepared YTD Profit and Loss Statement (P&L), up to and including the most recent month preceding the loan application date and two business checking account statements for the two most recent months reflected on the P&L. The P&L must be signed and dated 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, and the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the priors' years tax returns.
- A 3rd party prepared YTD balance sheet, signed and dated, is required.
- A completed, signed, and dated IRS Form 4506-T is required for each borrower's personal tax return. The form should be executed, and the transcript(s) for the corresponding number of personal tax returns must be included in the credit file. The tax returns and transcripts should be compared; any discrepancies should be explained and, if necessary, additional documentation obtained to satisfy the discrepancy.
- Transcripts are not a substitution for tax returns, both are required.
- Verify the existence of the business within 10 days of the Note date and ensure the business is active, with the following:
    - a letter from either the businesses tax professional, regulatory agency or licensing bureau, certifying two (2) years of self-employment in the same business, and
    - either a phone listing and/or business address using directory assistance or an internet search.
    - The seller must document the source of the information and the name and title of the seller's employee who obtained the information
- The underwriter must consider the financial strength of a self-employed borrower's business.
- Any rental property reflected on the tax returns requires a current property lease.

1.8.4.3 - PROJECTED INCOME

- Projected income is acceptable for qualifying purposes for a consumer scheduled to start a new job within 60 days of loan closing if there is a guaranteed, non-revocable contract for employment.
- The Seller must verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or physicians beginning a residency after the loan closes.
- The income does not qualify if the loan closes more than 60 days before the borrower starts the new job.

1.8.4.4 - OTHER SOURCES OF INCOME

ALIMONY OR CHILD SUPPORT

Document the support will continue for at least three (3) years by one of the following:

- Copy of divorce decree or separation agreement
- Other type of written legal agreement or court decree

Document at least twelve (12) months' receipt of full payments made consistently.

AUTO ALLOWANCE

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

CAPITAL GAINS

Document a three-year history with Federal tax returns for the most recent three (3) years, including an IRS Form 1040, Schedule D. A two-year average for income may be used, however, three years of gains/losses on Schedule D is required to establish a trend. The borrower must also provide evidence that they own additional property or assets that can be sold to support the income, and they will continue to receive the capital gain income for a minimum of three (3) years. Current receipt is not required; however, asset ownership must comply with the 1.2.13 - Age of Document Requirements section. Consistent losses reflected on Schedule D must be deducted from total income.

COMMISSION INCOME

Commission earnings should be averaged over the most recent two (2) years and require the following documentation:

- Most recent year-to-date pay stub reflecting the commission earnings, plus
- W-2 forms covering the most recent 2-year period; or
- A completed Request for Verification of Employment - Fannie Mae Form 1005.

A borrower in the current job for less than two (2) years, with a minimum 2-year history of receiving commission in the same line of work, may also qualify to use commission earnings with compensating factors. Commission Income earned for less than one year is not effective income.

DISABILITY INCOME

Obtain a copy of the borrower's disability policy or benefits statement. This will determine current eligibility for the benefits, amount and frequency of payments, current proof of receipt, and if there is a contractually established termination or modification date.

Generally, long-term disability will not have a defined expiration date and should be expected to continue.
If the borrower is receiving short-term disability that will decrease within the next three (3) years because of a conversion to long-term disability, the amount of long-term must be used as income to qualify the borrower. If the borrower is receiving short-term disability that will decrease in the near term due to a return to work, the following is also required:

- A signed letter from the borrower stating the intent to return to work once the disability no longer exists.
- Verification from the employer stating that the borrower will be allowed to return to work once the disability no longer exists.

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.

FOREIGN INCOME

Foreign income is income earned by a borrower 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 their signed federal income tax returns for the most recent two (2) years that include foreign income.

FOSTER CARE INCOME

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.
- Document that the borrower has a two-year history of providing foster-care services.
- If the borrower has not been receiving this type of income for two (2) full years, the income may still be counted as stable income if the borrower has at least a 12-month history of providing foster-care services. The income may not represent more than 30% of the total gross income that is used to qualify for the mortgage loan.

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 housing allowance may be added to income but may not be used to offset the monthly housing payment. 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 two (2) most recent years of tax returns are required.

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 1.2.13 - 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 for the two (2) most recent years.
- 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.

NOTES RECEIVABLE INCOME

Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. 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, ANNUNITY

Document regular and continued receipt of the income, as verified by letters from the organizations providing the income, copies of retirement award letters, or 1099 forms, along with at least a one-month proof of current receipt. In addition, the borrowers two (2) most recent tax returns are required.

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.

RENTAL INCOME

An investment property that is the subject property, which generates negative cash flow is not eligible. If a borrower has a history of renting the subject or another property, generally the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. In all cases, a current lease is required for any existing property owned by the borrower. If the lease has expired and/or converted to month-to-month, a cancelled check will be required to show the same tenant is renting the unit. If the borrower does not have a history of renting the subject property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the Seller may be justified in using a fully executed current lease agreement. Examples of scenarios that justify the use of a lease agreement are

- purchase transactions;
- refinance transactions in which the borrower purchased the rental property during or subsequent to the last tax return filing; or
- refinance transactions of a property that experienced significant rental interruptions such that income is not reported on the recent tax return (for example, major renovation to a property occurred in the prior year that affected rental income).
- When current lease agreements or market rents reported on Form 1007 or Form 1025 are used, the total gross rents must be multiplied by 75% to determine qualifying rental income.
- 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.

ROYALTY INCOME

- Obtain copies of the following:
    - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
    - The borrower's two (2) most recent signed federal income tax returns, 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.

SOCIAL SECURITY INCOME

Social Security income for retirement or long-term disability, drawn by the borrower from his or her own account/work record, will not have a defined expiration date and should be expected to continue. Eligibility needs to be documented with either a copy of the retirement, disability, or supplemental award letter, along with at least one (1) month proof of receipt. Benefits based upon another person's account for retirement, disability, or supplemental income require a copy of the award letter, current proof of receipt, and evidence of a three-year continuance.

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

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 and documented through the most recent year-to-date paystubs and federal income tax returns for the most recent two (2) years. 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

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the following:

- The borrower is a beneficiary.
- The amount, frequency, and duration of the payments.
- The trust income will continue for at least three (3) years from the date of the mortgage Note.

Obtain a copy of the borrower's tax return verifying receipt of the income. 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

Bonus and overtime can be used to qualify if the borrower has received the income for the past two (2) years and it is likely to continue. An average of bonus or overtime income should be used. A written VOE (Fannie Mae Form 1005) should be obtained to provide a breakdown of bonus or overtime earnings for the most recent two (2) years. If the employment verification states the income is unlikely to continue, it may not be used in qualifying.

INELIGIBLE INCOME SOURCES

- Boarder income
- Educational benefits
- Gambling winnings
- Illegal income such as cannabis
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes
- Restricted Stock Units

SECTION 2 - DELIVERY GUIDELINES

2.1.0 - SELLER ELIGIBILITY

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. A potential Seller will receive an invitation to apply and must submit their application using Comergence.

2.1.1 - APPROVAL OVERVIEW

Verus will review the applicant's information and determine eligibility for approval. 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, 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 the required application and provide all applicable documentation.
- Execute the Mortgage Loan Purchase Agreement (MLPA), in addition to other addenda, that may be applicable at the time of approval. This execution may be done using DocuSign or similar electronic signature method.

2.1.1.1 - COMERGENCE

Comergence is an online due diligence screening firm used by Verus. NMLS registered mortgage loan originator companies can use the streamlined process to easily and securely apply to Verus. 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. Once you are approved by Verus, the profile is kept current and available for easy recertification with Verus.

2.1.1.2 - 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.
- 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.

- Maintain 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 a loss payee.
- Evidence a copy of 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 appropriate 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 Verus review. If the issue cannot be resolved, Verus will determine the materiality of the issue.
- Notify Verus of the compliance tool (e.g., ComplianceEase), Fraud Tool Manager, Pricing Engine, LOS system and Servicer 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 be listed on any public or non-public commercial watch list or database that reports cases of misrepresentation or failure to honor contractual obligations.

2.1.2 - PROCESS FOR APPROVAL

Upon receipt of an invitation from Verus through Comergence, please complete the information outlined in the application instructions provided. This will include completing an application online, completing a questionnaire and uploading specific documents as outlined by the Comergence System.

Once the three steps have been completed in Comergence, Verus will be notified that the application is ready for processing. Once reviewed, the Counterparty Review team 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 the Seller should be able to provide by uploading them in to the Comergence system. Any specific requests related to Litigation, Government Insuring, Repurchases, Loans Held for Investment or other loan specific listings, please upload those in an excel format with the appropriate labeling.

2.1.2.1 - GENERAL

- Legal entity creation documents.
- List of owners, stockholders, and their percent ownership.
- Board of Directors: list of names and the frequency of meetings.
- Insurance policies such as Cyber Security, E&O, Directors and Officers Liability (D&O), Professional Liability, and Mortgage Bankers.
- Organization chart.
- Resumes: Executive Management (CEO, CFO, COO, etc.) and Department Heads (e.g., Operations, Secondary, Underwriting, Production, Post Closing, Servicing, Compliance/QC, Closing/Funding/Shipping, Insuring Managers).
- Listing of any Affiliated Business Arrangements (ABA) or Marketing Service Agreements (MSA) with joint ventures, limited partnerships, limited liability companies, or wholly owned corporations. This must include a sample MSA contract (if applicable) and approval/recertification policies and procedures.
- State, HUD, or GSE audit findings with management responses in the previous 24 months and any in process. If the state audits are confidential, please provide the date of the audit, date of the final findings, and if you are in "good standing."

- List and summary of any pending litigation.
- A complete contact listing of individuals required for access to our Website, Pricing and Delivery portal.

2.1.2.2 - OPERATIONS/COMPLIANCE

- Post-Closing Quality Control (QC) Plan.
- Two (2) most recent Quality Control (internal audit, prefunding, post-funding) results with management responses and summary reports.
- Compliance Management System (include policy and procedures for underwriting, operations, fair lending and regulatory compliance such as AIR, AML, Consumer Complaints, ECOA, GLBA, HPML, HMDA, MAPS, MDIA, QM/ATR, Red Flags, RESPA, SAFE, Servicing/Sub-servicing, Settlement Agent Oversight, Vendor Oversight, etc.).
- Loan Originator (LO) compensation policies and a sample LO compensation contract.
- Government Insuring Report - please provide outstanding list of any aged uninsured loans.
- IT Disaster Recovery and Business Continuity Plans, and Cyber Security policies.
- On-boarding, approval, and monitoring policies and procedures for new LOs, branches, and/or brokers/sellers.
- Please provide the name of the origination system and document provider (closing documents).
- Please provide the servicing system or sub-servicers name and contact information.

2.1.2.3 - FINANCIALS

- Last two (2) years of audited financials
- Year-to-date (YTD) and most recent month's interim financials
- Loans Held for Investment (LHFI)
- Pending/settled repurchase demands and indemnifications

2.1.2.4 - INVESTOR RELATIONS

- Approval Letters (Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA, USDA) as applicable
- Investor Scorecards (most recent month available)
- Schedule of Warehouse Lines – including contact information for verification of wiring instructions
- Most recent warehouse collateral report (i.e., aged, wet, shipped but not sold) – please provide a listing for aged loans

2.1.2.5 - PRODUCTION

- Provide YTD production volumes ensuring the YTD production corresponds to the same month for YTD interim financials.
- Secondary marketing policies and procedures (if applicable, they include most recent hedging, lock desk, and sale reconciliation reports).
- Identify the pricing engine(s) utilized for rate sheets/pricing.

These documents will be reviewed and assessed for eligibility. Upon final review and decision, the applicant will be contacted and provided the contract (MLPA and associated addenda) for final signature.

After approval, the Seller will be contacted by their Transaction Manager and Sale 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.

2.1.3 - SELLER RESPONSIBILITY

2.1.3.1 - 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.

2.1.3.2 - 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. Verus Mortgage 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.
- Addition or closure of a branch.
- Use of a new or different fictitious name.
- Any change regarding registration or licensure of a 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.

2.1.3.3 - 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. Failure in any of these areas is cause for termination.

2.1.3.4 - 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 of recertification through Comergence 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 to Verus (via Comergence) the following updated documentation:

- Audited financial statements with all appropriate schedules and attachments.
- Current, 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 two (2) most recent QC reports.
- Copy of the renewal of Fidelity Bond and E&O Insurance.
- Copy of any investor scorecards.
- 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.

2.2.0 - LOCK POLICY

2.2.1 - BEST EFFORTS RATE LOCK PROGRAM

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

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:	202-534-1816

2.2.1.1 - REGISTRATION, RATE LOCK, AND LOCK CONFIRMATION

Sellers register and lock loans using LMS Connect https://portal.verusmc.com (Portal). Loans are registered in the Portal by entering data through the user interface or by importing a FNMA3.2 file to the system. Data required for pricing and locking varies by program and users are prompted to enter the appropriate required information.

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 review process. However, we strongly advise that the loan is locked after underwriting approval by the seller. ***Note: Confirmation of a rate lock does not constitute approval to purchase. All loans must meet Verus purchase criteria and the product matrix eligibility guidelines.***

2.2.1.2 - CANCELLATIONS

Sellers must notify the Verus Lock Desk as soon as possible when a locked loan is canceled. Failure to do so on a regular basis may impact Seller eligibility.

2.2.1.3 - PREPARING TO CLOSE LOANS

All loans must be registered or locked before Verus reviews the file. All loans must have a valid unexpired lock when the closed loan file is delivered for purchase.

2.2.2 - LOCK DESK AND PRICING

2.2.2.1 - DAILY PRICING

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

2.2.2.2 - 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 receive the pricing in effect when loans are locked on the portal. Sellers are responsible for verifying the lock confirmation, see 2.2.1.1 – Registration Rate Lock Confirmation. Intra-day price changes will be emailed and published in the system.

2.2.3 - RATE LOCK PROGRAMS

Specific information regarding rate locks, extensions, and renegotiations is provided as follows:

2.2.3.1 - 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. Currently, 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 daily rate sheet will take precedence over the information in this manual.

2.2.3.2 - RATE EXTENSIONS

- 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.
- Lock extensions are not available for delivered files.

2.2.3.3 - 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 seller must be moving the loan 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.

2.2.3.4 - 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.

2.2.3.5 - PAIR-OFF FEES

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 0.125 multiplied by the locked loan amount.

2.2.3.6 - RATE LOCKS AND DELIVERY

- All files must be closed and delivered 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.

2.3.0 - DUE DILIGENCE PROCESS

2.3.1 - PRE-CLOSE REVIEWS

2.3.1.1 - 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. 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 LMSConnect 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 LMSConnect. The following outlines the processes performed by Verus during the eligibility review.

CREDIT APPLICATION (FNMA FORM 1003)

- The application (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 2
- 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

- 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 (DataVerify, etc.) is present and confirm all 'red flags' or deficiencies are resolved and documented appropriately
- 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
- Calculate payment shock
- 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:

- VOD's
- 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

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
- Review Tax Certificate to verify and compare monthly escrows used to calculate DTI matches and that taxes are current according to the preliminary title policy

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

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. Proteck ARR or Clear Capital 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
- DSCR
- Credit Score
- Documentation Type
- Reserves
- Residual Income

2.3.1.2 - 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. Sellers are not required to clear or satisfy any credit eligibility variances. See the Delegated Pre-Close Eligibility File Submission Checklist 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

2.4.0 - CLOSING AND POST-CLOSING REQUIREMENTS

2.4.1 - LOAN PURCHASE PROCEDURES

Verus requires the following three (3) steps to be completed prior to purchase approval:

- The credit package 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, loan purchase will be approved, and a Purchase Advice will be generated and delivered to the Seller.

2.4.2 - FEES

Verus will charge the following fees when reviewing and/or purchasing a loan from a Seller and these fees will be deducted from the funding wire at the time of purchase. The Seller will be billed separately for:

- any of the following reviews performed by Verus if the loan is not purchased by Verus
- any of the following overdue fees if not completed by the due date

FEES	
Funding Fee	$575
Non-Delegated Review Fee	$500
Pre-close Limited Review Fee	$400
Condo Project Review Fee	$150
Flood Cert/Life of Loan Fee	$17.50
Overdue MERS Transfer Fee	$25
Non-MERS Transfer Fee	$75
Overdue Trailing Document Fee (not delivered within 90 days of purchase)	$75

TAX SERVICE FEE	
Loan Balance	**Fee**
< 999,999	$80
1,000,000 – 1,099,999	$90
1,100,000 – 1,199,999	$100
1,200,000 – 1,299,999	$110
1,300,000 – 1,399,999	$120
1,400,000 – 1,499,999	$130
$10 for every $100,000 increase in loan balance	

2.4.3 - PURCHASE ADVICE

Sellers will log in to the Seller Portal to review and approve the Funding Schedule (Purchase Advice). If there are any discrepancies between the Lock Price and the Advice Price, Sellers should confirm that:

- The loan was received prior to lock expiration.
- No factors affecting pricing changed during the due diligence process (e.g., LTV went from 65 to 72).
- The loan was not subject to any special pricing changes negotiated by the Seller with Verus subsequent to the initial lock.

If the Seller feels that an error has been made on the part of Verus regarding the price paid on the confirm, they should immediately contact the lock desk to initiate the review process.

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.

Flow Loans:

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

The Seller must review the Purchase Advice in its entirety within the Portal. 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 loan in the Portal. Upon approval Verus will fund the loan. The daily cutoff for wiring funds is 1:00 central time, so approval must be in the Portal prior to 1:00 to receive funds that day. Approvals after the 1:00 central time cut-off will be wired the next business day.

All federal holidays and days banks do not operate wire fund transfers will not occur. Any wire fund transfer that would be due for wiring on a federal holiday will be wired on the following business day. Verus may also be closed for business on certain days in addition to recognized federal holidays and will communicate accordingly with Sellers to ensure wire fund transfers are complete.

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.

2.4.4 - BAILEE LETTER

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

2.4.4.1 - BAILEE LETTER REQUIREMENTS:

- Must accompany the original promissory note delivered to the custodian (see collateral delivery instructions or provide hyperlink to that section)
- 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

2.4.4.2 - SECURITY RELEASE FORM REQUIREMENTS:

Sellers must be pre-approved for self-funding, if not, contact the Verus sales associate to initiate self-funding approval process.

- 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 LMSConnect using document type 'closed loan documents'
- 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

2.4.5 - INITIAL COLLATERAL DOCUMENT DELIVERY

2.4.5.1 - REQUIREMENTS FOR CLOSED LOAN FILE

A Closed Loan delivery package, (see Due Diligence Review Checklist and Stacking Order) 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 credit package 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. The Custodian will image the Bailee Letter and deliver to Verus. Delays in the delivery could result in a funding delay.

Stacking Order for Collateral Shipping Instructions:

- Bailee Letter (or self-assurance letter if applicable).
- Original Note with an original signature (Facsimile signature is not allowed).
- Original Allonge with an original signature (Facsimile signature is not allowed) from Seller to Blank (see example: Sample Allonge).
- Copy of the Security Instrument with all riders/schedules.
- If not a MERS loan:
    - Original unrecorded Assignment from Seller to Blank.
    - Original recorded Intervening Assignment(s) evidencing a complete chain of title from Originator to Seller (if applicable).
- Copy of the Title Commitment/Binder/Preliminary report.
- Executed Power of Attorney (if applicable).
- Any other documents as may be applicable, such as the Personal Guaranty.

Recorded Security Instrument, Title Policy, and Recorded Intervening Assignment(s) may follow as trailing documents, see Section 2.4.6 - Trailing Document Delivery *for timelines and fees for non-compliance.*

Place collateral documents in a pocket file folder (legal size) - one (1) for each loan. Affix a label to the upper right-hand corner of each pocket file folder, showing:

- Verus Loan ID
- Seller Loan ID
- Borrower name(s)

Ship to the Custodian as follows:

- Place the loan files in sequential loan number order inside the shipping package/box.
- Include a packing list/manifest, consisting of a list of the loans. If there are multiple boxes, specify the box number for each loan.
- Mark the exterior of the package(s)/box(es) to identify the contents as follows:
  INVC-Initial / Seller Name / Box 1 of __ , Ln # 100000 - 100200.

CUSTODIAN: WELLS FARGO - ALL LOANS	
Primary Contact:	
Custodian Name & Physical Address: Wells Fargo Bank, N.A. Attn: INVC-Initial 1055 10th Ave SE Minneapolis, MN 55414	**Notification of Transfer:** Populate LMS Connect, on the day the collateral is shipped, with the following: ○ Loan ID(s) ○ Borrower name(s) ○ Courier tracking information ○ List of documents being shipped

2.4.5.2 - 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 2.2.3.6 - Rate Locks and Delivery for the full details.

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

2.4.6 - TRAILING DOCUMENT DELIVERY

Sellers are responsible for the submission of final recorded documents and title policies, free of exceptions, to the Custodian after the loan has been purchased. Verus requires the submission of these documents in a timely manner, but no later than 90 days after the purchase date. Monthly trailing-document status reports will be delivered to Sellers via the Portal to aid in trailing document management and exception resolution. It is the Seller's responsibility to reconcile the trailing-document status reports to its delivery records for discrepancies. Communicate discrepancies for research to Collateral@verusmc.com; include the Verus loan ID, Seller loan ID, shipping date, shipping address, and courier tracking number.

2.4.6.1 - POST-PURCHASE DOCUMENTATION

The following documents must be submitted as trailing 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 Intervening Assignment
    - Recorded Loan Agreements

* 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 exceptions not resolved, within 90 days of the purchase date, as set forth in the Agreement. Any documents not provided, or exceptions 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 Purchase and Sale Agreement.

<u>Preparing Trailing Documents for Delivery:</u>

- Include a cover sheet with the 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. 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:
  INVC-Trailing Docs / Seller Name / Box 1 of __ , Ln # 100000 - 100200.

Custodian Delivery Address:

Wells Fargo Bank
Attn: INVC-Trailing Docs
1055 10th Ave SE
Minneapolis, MN 55414

2.4.7 - 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.

2.4.7.1 - 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.

2.5.0 - SERVICING TRANSFER INSTRUCTIONS

2.5.1 - INTERIM SERVICING RESPONSIBILITES

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 from the borrower during the interim servicing period.

2.5.2 - SERVICING TRANSFER CONTACTS

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 Analyst	612-225-0370 Maliffi@verusmc.com
Servicing Support Contacts	651-352-4400 ServicingTransfers@verusmc.com

2.5.3 - SERVICING TRANSFER GENERAL INFORMATION

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 either Fay Servicing or 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.

2.5.4 - SERVICING TRANSFER PROCESS

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.

2.5.5 - SERVICER TO SERVICER TRANSFERS

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.

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 completes 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 New Servicer begins their servicing responsibilities
Within 15 Days After Transfer Date	• The New Servicer mails their Welcome Letter

2.5.5.1 - 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 timely.

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.

2.5.5.2 - 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.

2.5.5.3 - 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.

2.5.6 - 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**.

2.5.6.1 - VERUS ASSISTED TRANSFERS - ESCROW

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.

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 Seller's failure to pay escrow disbursements as described above, may be billed back to the Seller.

2.5.6.2 - 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.

2.5.6.3 - 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.

2.5.7 - 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.

2.5.8 - 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.

2.5.9 - BORROWER CONTACT CONSENT FORM

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 should 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.

2.5.10 - 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.

2.5.11 - 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.

2.5.12 - 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.

2.5.13 - TAX TRACKING

Verus requires fully transferrable and life of loan tax service on each first lien. The Seller should obtain this at closing. The Verus preferred 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 transferrable 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 2.4.2 – Fees of this Guide. The fee will be netted by Verus at the time of purchase.

2.5.14 - MORTGAGEE CHANGE REQUIREMENTS

The Seller will insure 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

2.5.15 - 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.

2.5.16 - YEAR END TAX / IRS REPORTING

The Seller or Current 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.

2.5.17 - PAYOFFS

2.5.17.1 - 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.

2.5.17.2 - 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.

2.5.18 - PRIVATE MORTGAGE INSURANCE (PMI)

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

2.6.0 - MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS®)

2.6.1 - 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.*

2.6.2 - ASSIGNING A MORTGAGE TO MERS®

Only loans closed on MERS as Original Mortgagee (MOM) security instruments are eligible for purchase by Verus. Assignments to MERS are not eligible.

2.7.0 - COMPLIANCE

2.7.1 - 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.

2.7.2 - 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.

2.7.3 - 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. This includes loan submitted under the pre-close non-delegated review process.

2.7.4 - 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.

2.7.5 - 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.

Sellers are required to investigate and respond with their results and what actions are being taken to correct any Quality Control findings communicated by Verus within 30 days of receipt. Serious issues with quality and/or material findings trends, or failure to respond to the report findings, can result in the termination of the Seller’s approval with Verus.

2.7.6 - PREPAYMENT PENALTY

Loans with prepayment penalties are not eligible under this program.

2.7.7 - 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.

2.7.8 - FANNIE MAE LENDER QUALITY INITIATIVE (LQI) CHECKS

Sellers are responsible for compliance with Fannie Mae's Lender Quality Initiative (LQI), including but not limited to:

- Verbal re-verification of employment
- Updated credit report prior to closing
- Related parties search
- Verification in MERS regarding borrower and property liens
- Third party fraud checks prior to closing

These items must be in the closed loan file.

2.7.9 - 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.

2.7.10 - 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.

2.7.11 - 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.

2.7.12 - LOAN DOCUMENTATION

The current version of the Uniform Residential Loan Application (URLA) should be used. The current mandatory usage date for the revised URLA is March 1, 2021. All loan applications taken on or after that date should use the new form.

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. ARM notes that allow for a conversion feature are not eligible. In the case when Fannie Mae doesn't offer current documentation (e.g., interest only), a document vendor, such as Doc Magic or Ellie Mae should be used to obtain forms.

2.7.13 - INTEREST CREDIT

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

2.7.14 - PROPERTY INSURANCE

2.7.14.1 - 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.

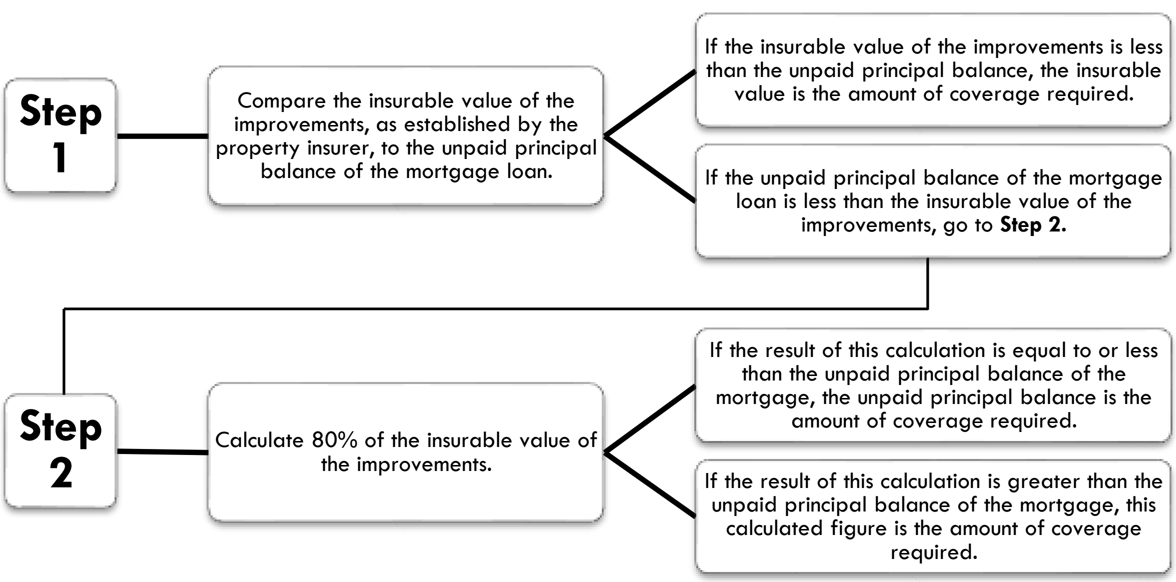
Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement.
The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer
  - Provide explicit evidence of guaranteed replacement cost coverage, or
  - Provide a replacement cost estimator to evidence adequate dwelling coverage
- the unpaid principal balance of the mortgage, if it's at least 80% of the insurable value of the improvements on a replacement cost basis.

If it does not, then coverage that does provide the minimum required amount must be obtained.

2.7.14.2 - DETERMINING THE AMOUNT OF REQUIRED PROPERTY INSURANCE

The following table describes how to calculate the amount of required property insurance coverage:



Some examples:

CATEGORY	PROPERTY A	PROPERTY B	PROPERTY C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Principal Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	—	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B

For insurance not addressed in this section, default to Fannie Mae requirements.

DUE DILIGENCE REVIEW CHECKLIST AND STACKING ORDER

DUE DILLIGENCE REVIEW			
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 or Investor Solutions product
	Personal Guarantee if applicable
	Loan Agreement if applicable
	Occupancy Certifications as applicable
	ACH – Automatic Payment Authorization REQUIRED for Foreign National borrower
	Evidence of Payoffs & Tax Lien satisfactions
	Borrower Contact Consent form
Loan Information	
	Client Loan Approval
	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
	Evidence loan is not agency eligible if applicable
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)
	Profit & Loss Statement or Expense Letter if applicable
	Verbal Verifications of Employment
	Rental/Lease Agreements
	Signed IRS Form 4506T if applicable
	Transcripts if applicable
Assets	
	Verifications of Deposit, Most recent 2 months Bank Statements, Most recent 2 months Brokerage/Retirement Statements
	Cancelled check for 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
	7/28/2020

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.

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

______ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 *et seq.*), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq.*), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq.*), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq.*).

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

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

I/We 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

COLLATERAL SHIPPING INSTRUCTIONS

Bailee or Security Release

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

<table>
<tr><td>Bailee Letter Requirements</td><td>
o 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
o Does not require execution by Verus and/or custodian; original note delivery under a bailee is sufficient notification of the bailee arrangement
o 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
o 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
</td></tr>
<tr><td>Security Release Form Requirements</td><td>
o Seller must be pre-approved for self-funding; if not, contact the Verus sales associate to initiate self-funding approval process
o Submit a Security Release form, executed by an authorized signer of the Seller
o Must be included in each applicable imaged file uploaded by seller to LMS Connect using document type 'Collateral/Legal Document'
o Must be delivered to Verus within 24 hours after loan delivery
o 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
</td></tr>
</table>

Initial Collateral Shipping

<table>
<tr><td>Custodian Mailing Address</td><td>
Wells Fargo Bank
Attn: INVC-Initial
1055 10th Ave SE
Minneapolis, MN 55414
</td></tr>
<tr><td>Custodian Stacking & Packaging Instructions</td><td>
o Place loan files in sequential loan number order inside shipping package/box.
o Include a packing list/manifest, consisting of a list of the loans; if multiple boxes, specify the box number for each loan.
o Mark the exterior of each box to identify its contents as follows:
• INVC-Initial/Seller Name/ Box 1 of __, Ln # 100000– 100200.
o Stack documents in the following order:
• Bailee Letter (if applicable)
• Original Note, fully executed
• Original allonge, endorsing the Note from Your Company Name to Blank (See Guide Exhibit 9 for Allonge Example)
• Security Instrument (MERS MOM), with all riders & schedules, sent for recordation, or if seasoned, the recorded version
• If not a MERS MOM loan:
▫ Original Unrecorded Assignment from Seller to Blank
▫ Each Original Recorded Intervening Assignment(s) evidencing a complete chain of title from Originator to Seller (if applicable)
• Title Commitment/Binder/Prelim for new originations or, if seasoned, the Title Insurance Policy
</td></tr>
</table>

	• 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 • Any other documents as may be applicable relevant to program, property, or business entity as borrower (Example: Original Guaranty, 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 3 months 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 both the custodian (as indicated above) ***and*** Verus, as follows: • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Collateral/Legal Document'; AND • Ship documents to custodian, Wells Fargo with initial collateral delivery. Use Wells Fargo shipping address as indicated above. • Delivery of the recorded/final versions to the custodian is required within 90 days of loan sale/purchase settlement date. See Trailing Document Delivery instructions.
Seasoned loans (> than 3 months 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 the custodian (as indicated above) ***and*** Verus, as follows: • Upload images to Verus Mortgage Capital via LMS Connect (delivery portal) using document type 'Collateral/Legal Document; AND • Ship documents to custodian, Wells Fargo; either with initial collateral delivery or as purchase clearing conditions. Use Wells Fargo shipping address as indicated above.

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 'Collateral/Legal 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	**Wells Fargo Bank** **Attn: INVC-Trailing** **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

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: ____

____
By (Signature)

____
Name (Printed)

____
Title

SAMPLE ALLONGE

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)

____

Signature: ____

(Original signature required, facsimile signature not allowed)

Print Signer's Name: ____

Signer's Title: ____

Automatic Payment Authorization Form

You must attach a voided check or deposit slip

❑ 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's Signature ____ Date ________________

Co-Borrower's Signature ____ Date ________________

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 billing 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 billing servicer permission to use this email to contact me regarding my loan.

Borrower ____

Co-Borrower ____

Signature(s):

Borrower ____________________________ Date __________

Co-Borrower ____________________________ Date __________

NON-DELEGATED PRE-CLOSE ELIGIBILITY CHECKLIST

Non-Delegated Pre-Close Eligibility Review

- Loan Application (FNMA 1003) for all borrowers
- Initial Loan Estimate issued within 3 business days of application data
- 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
    - Balance Sheet
- Asset documentation
- Credit report including LOE for recent inquires
- Mortgage/rental payment histories – VOM/VOR
- Hazard/Flood insurance documentation
- Appraisal Report and 3rd party valuation
- Preliminary Title commitment
- Purchase contract
- Income calculation worksheet

Non-Delegated Eligibility Review

VERUS MORTGAGE CAPITAL

Review Results: Approved Pending Conditions
Report Version: 01/27/2020

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:	

CONDOMINIUM PROJECT QUESTIONNAIRE

Project Name:		Date:	
Project Street Address:		HOA Taxpayer ID:	
Unit Address:		Loan Number:	
HOA Representative:		Lender Name:	

In order for us 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? ____________

Page 1 of 3
Updated 11/20/2020

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. 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

35. 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? ____________

36. 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:** ____________

CONDOMINIUM PROJECT WARRANTY CERTIFICATION

Project Name: ______________________________

Project Address: ______________________________

Phase: ______________________________

Borrower Name: ______________________________

Subject Address: ______________________________

Seller Name: ______________________________

Loan Number: ______________________________

This certification represents and warrants that the above condominium project meets all eligibility requirements for sale as required by Fannie Mae.

The Seller representative certifies that they have completed a Full Condo Project review as outlined in the Fannie Mae guidelines section B4-2.2-02 Full Review, including review of all required documentation for the project type.

Project type: ☐ Established ☐ New ☐ 2-4 unit

Project Documents reviewed include:

- ☐ Condo Questionnaire
- ☐ Current annual HOA/Project Budget
- ☐ Current Balance Sheet
- ☐ Evidence of Project Insurance
- ☐ Project legal documents as required by Project type

Seller certifies that it has retained all supporting documentation used to complete the review for this Warranty Certification. The Seller Representative certifies that all appropriate documentation has been examined and that the Representative and Seller warrant that the project meets all requirements set forth in the Fannie Mae guidelines for a Full Review.

____
Signature of Seller Representative certifying

____
Name of Seller Representative

____
Title of Seller Representative

____
Date of Certification:

DELEGATED PRE-CLOSE ELIGIBILITY FILE SUBMISSION CHECKLIST

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-T
        - W-2 Transcript
        - Tax Returns
        - Tax Return Transcript
        - Profit & Loss
        - Balance Sheet
    - Alt Doc
        - Income Worksheet (Bank Statement Calculator)
        - Personal Bank Statements
        - Business Bank Statements
        - Profit & Loss Statement
        - Expense Statement Letter
        - Evidence of Self-Employment
        - Written VOE
        - IRS Forms 1099
    - 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 Purchase Agreement/Sales Contract
    - Preliminary 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 on 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 the 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 the comparable sales dated within six (6) months? If no, the appraiser must address this.

4) Are the 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 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 the 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.

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.

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Borrower

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Borrower

Servicing Item:	Shellpoint Mortgage Servicing	Fay Servicing
Address for Borrower Payments:	Shellpoint Mortgage Servicing PO Box 740039 Cincinnati OH 45274-0039	Fay Servicing, LLC PO Box 88009 Chicago, IL 60680-1009
Address for Correspondence:	Shellpoint Mortgage Servicing PO Box 10826 Greenville, SC 29603-0826	Fay Servicing, LLC Attn: Customer Service Department PO Box 814609 Dallas, TX 75381-4609
Forwarding Trailing Payments or Escrow Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601	Fay Servicing, LLC Attn: Cashiering – Trailing Payments 1601 LBJ Freeway, Suite 150 Farmers Branch, TX 75234
Address for Payoff Funds by Mail:	Shellpoint Mortgage Servicing Attn: Cash Control – Payoffs 55 Beattie Place Suite 110, MS# 525 Greenville, SC 29601	Fay Servicing, LLC Attn: Cashiering – Payoffs Fay Servicing 1601 LBJ Freeway, Suite 150 Farmers Branch, TX 75234
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 3:00 p.m. (ET)	Toll-free: 800-495-7166 Website: www.fayservicing.com Mon - Thurs: 8:00 a.m. to 9:00 p.m. (CT) Fri: 8:30 a.m. to 5:00 p.m. (CT) Saturday: 10:00 a.m. to 4:00 p.m. (CT)
Loss Payee Clause:	Shellpoint Mortgage Servicing Its Successors and/or Assigns ISAOA/ATIMA PO Box 7050 Troy, MI 48007-7050	Fay Servicing Its successors and/or Assigns ISAOA/ATIMA PO Box 3644 Springfield, OH 45501-3644
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	Send Borrower's authorization and Verification form by email: Email to: Postransfer@fayservicing.com
Send NSF Reimbursement Requests & supporting documentation to:	Email to: SMSPriorServicerNSFRequests@shellpointmtg.com	Email to: Payments@fayservicing.com Or Mail to: Fay Servicing, LLC Attn: Cashiering – NSF Reimbursement Fay Servicing PO Box 814609 Dallas, TX 75381-4609
Forward Trailing Tax or Insurance Documents to:	Tax Documents: LoanServicing@shellpointmtg.com Insurance Documents: Insdocs@shellpointmtg.com	Tax Documents: Escrow@fayservicing.com Insurance Documents: Hhopper@fayservicing.com
Forward All Other Trailing Loan Documents to:	Send by secure email to: SMSloandocuments@shellpointmtg.com	Send by secure email to: Kkroll@fayservicing.com

MERS ORG ID	Sellers / Current Servicer should transfer Investor and Servicer to the Verus ORG ID: 1013178	Sellers / Current Servicer should transfer Investor and Servicer to the Verus ORG ID: 1013178
Wiring Instructions:	Name on Account: Mortgage CDA Bank: Wells Fargo Bank, NA Account #: 2020050813199 ABA #: 121000248 Ref: Your company name, loan number, borrower name Attn: Cash Control	Beneficiary Name: Fay Servicing, LLC Bank: Fifth Third Bank Routing Number: 042000314 Account Number: 07241022099 Account: 38 Fountain Square Cincinnati, OH 45202
Wire Detail:	All wires must have loan-level detail in an Excel formatted spreadsheet. Email to: SMSwires@shellpointmtg.com	All wires or forwarded checks must have loan-level detail in an Excel formatted spreadsheet: Email the detail to: Payments@fayservicing.com, Transactionrecon@fayservicing.com, CGill@fayservicing.com, Nizguerra@fayservicing.com

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
CentralTeam@verusmc.com	Credit and file questions
WestTeam@verusmc.com	Credit and file questions
SystemSupport@verusmc.com	Password reset, general system, or system navigational questions
Collateral@verusmc.com	Delivery questions
MERS@verusmc.com	MERS questions