



AMERITRUST
— MORTGAGE CORPORATION —

AmeriTrust GRANITE SECOND GUIDELINES 5.24

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1.0 Introduction

AmeriTrust Mortgage Corporation (hereafter referred to as ATM) Credit Guidelines establish standards and criteria in which a loan will be eligible for purchase by ATM. Sellers should use these Guidelines to understand how ATM assesses risk and to understand ATM program specifics and our process flow. While these Guidelines represent sound underwriting principles, Brokers/Bankers herein referred to as “SELLER” . Loans not closed with a simultaneous 1st lien (aka, a “stand alone”) must follow Fannie Mae DU/ Freddie Mac LP or Manual underwriting requirements plus the below overlays. **If a topic is not addressed within these guidelines, ATM will align with Fannie Mae (FNMA), Chapter B3-1, Manual Underwriting guidelines for the 2nd lien product.**

The Credit Guidelines provide detailed requirements for purchase eligibility, but ATM is not obligated to purchase a loan even if it satisfies these requirements. Compliance with these guides does not create a commitment by ATM to purchase. Further, ATM does not require Sellers to make loans simply because they are eligible for sale to ATM, nor does ATM prohibit sellers from originating loans that are not eligible. ATM has sole discretion to purchase any loans. State and Federal specific regulatory requirements supersede all underwriting guidelines set forth by ATM.

Seller Responsibilities:

ATM Credit Guidelines must be interpreted and applied by the Seller in a manner that complies with the laws and regulations established by the Consumer Financial Protection Bureau (CFPB) and any other applicable laws and regulations.

ATM has a no-tolerance policy as it relates to fraud. Sellers should have and follow their own established fraud and identity procedures for every loan to prevent and detect fraud (including, but not limited to, Social Security Number Verification, verbal verifications of employment, processing of 4506-C, USPS, OFAC, AML and any other exclusionary lists). Loans containing fraudulent documentation or information will not be purchased by ATM. Any determination of Seller involvement and/or knowledge in misrepresentation will result in the dissolution of any buyer-seller relationship. The appropriate agencies will be notified.

Additional Requirements:

- Deviations from the underwriting guidelines based on compensating factors may require an exception and need to be documented in the loan file
- Negative Amortization Feature or Equity Participations are not allowed
- U.S. territory loans are not allowed. Properties must be in the United States
- None of the Mortgaged Properties are secured by manufactured housing or are manufactured homes or unique property types, including without limitation, condotels, timeshares, agricultural properties, log homes or geodesic domes. No Mortgage Loans that finance builder inventory
- With respect to each Mortgage Loan, (1) each Mortgagor or Guarantor is a natural person and (2) at the time of origination, the Mortgagor or Guarantor was legally entitled to reside in the United States

- Occupancy - the Originator gave due consideration, at the time of origination, to information contained within the Mortgage Loan File, to evaluate whether the occupancy status of the related Mortgaged Property as represented by the Mortgagor was reasonable

Ability to Repay (ATR):

The Ability-to-Repay (ATR) Rule is the reasonable and good faith determination that a borrower can repay the loan. Under the rule, the borrower's income, assets, employment, credit history and monthly expenses must be documented, and certain affordability calculations must be performed during the underwriting process. All closed end mortgages secured by a dwelling, regardless of loan purpose, occupancy or lien position are subject to this section.

ATM will make a reasonable, good-faith determination before a loan is closed that the borrower has a reasonable ability to repay a loan. **The lender is required to fully document that ATR has been met and provide the borrower's ATR Attestation.** The lender must consider the following eight (8) underwriting factors and include proper underwriting documentation that these factors were properly considered:

- Current or reasonable expected income or assets,
- Current employment status,
- Monthly payment on the loan (calculated on the higher of the introductory rate or fully indexed, rate; the maximum payment scheduled during the first five (5) years),
- Monthly payment on secondary financing,
- Monthly payment for mortgage-related obligations, such as property taxes and insurance, HOA dues, and ground rent,
- Current debt obligations, alimony and child support,
- Monthly debt-to-income ratio or residual income, and
- Credit history

NOTE: Example of Ability to Repay Attestation Disclosure is located in section 8.1. UW may attest to the borrower meeting the ATR rules or borrower may sign an attestation.

Compliance

- No section 32 or High Cost
- Loans must comply with all applicable federal and state regulations
- Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) are permitted subject to complying with all applicable regulatory requirements. All HPML and HPCT loans require proof of an established escrow account for the first mortgage lien

2.0 Borrower Eligibility

2.1 Eligible Borrowers

- U.S. Citizens (as defined by USCIS)
- Permanent Resident Aliens: An individual who is not a U.S. Citizen but maintains legal, permanent residency in the United States. Documentation requirements:
 - Valid and unexpired Permanent Resident Card/“Green Card” (Form I-551) without conditions. For conditional permanent residents, proof of filed Form I-751 required. If any green card expires within the 6 months before closing, proof of a filed Form I-90 is required.
- Non-Permanent Resident Aliens: An individual who is not a U.S. Citizen but lives in the U.S. under the terms of an acceptable visa and/or EAD Card. Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) are not required to provide a valid visa. Individuals with diplomatic immunity who are not subject to United States jurisdiction are not eligible. Non-Permanent Resident Aliens must be employed in the U.S. for the last 24 months.
- Documentation requirements:
 - Visa:
 - If expiration is within six months of the loan application and the borrower has not changed employers, a copy of the employer’s letter of sponsorship for visa renewal must be provided.
 - If Visa has expired at closing (date the note is signed), a filed USCIS Form I-797 is required.
 - For residents of Canada or Mexico, H1-B status stamped on an unexpired passport is acceptable.
 - EAD Card:
 - If expiration is within six months of the application, the borrower must show evidence that they have applied for an extension or provide a letter from the employer indicating they will continue to sponsor their employment.
 - The EAD Card must be unexpired at closing (date the Note is signed).

Non-permanent resident borrowers must document legal residency status by meeting the documentation requirements below. Borrowers who cannot meet the requirements below are not eligible.

SEE FOLLOWING PAGES FOR VISA AND EAD ELIGIBILITY MATRICES

VISA ELIGIBILITY MATRIX				
Visa Category	Visa Type	Brief Description	Documentation Required	EAD Code
Trade Treaty Work Visa	E-1	Treaty trader - employee, spouse, and/or child	Visa and EAD	C02
	E-2	Treaty investor - employee, spouse, and/or child	Visa	
	E-3	Specialty occupation		

	E-1, E-2, or E-3D	Spouse of E-1, E-2 or E-3	Visa and EAD	A17/C12
Temporary Employment Visa	H-1B	Specialty Occupation	Visa	
	H-1B1	Specialty Occupation		
	H-1B2	Specialty Occupation - U.S. Department of Defense		
	H-1B3	Fashion model of distinguished merit and ability		
	H-1C	Registered nurse - U.S. Department of Labor		
	H-4	Spouse or child of H-1B	Visa and EAD	C26
Media Work Visa	I	Foreign media outlet (press, radio, film, or other)	Visa	
Nonimmigrant Visa for Fiancé(e)	K-1	Fiancé(e) - purpose of marriage	Visa and EAD	A06
Nonimmigrant Visa for Spouse	K-3	Spouse of a U.S. citizen	Visa and EAD	A09
Temporary Employment Visa	L-1A	Intracompany transfer - managerial or executive	Visa	
	L-1B	Intracompany transfer - specialized knowledge		
	L-2	Spouse or child of L-1A or L-1B	Visa and EAD	A18
Temporary Employment Visa	O-1A/B	Extraordinary ability in analysis, business, education, entertainment	Visa	
	O-2	Assistant to O-1		
	P-1A	Internationally recognized athlete		
NAFTA Professional Workers Visa	TN	Professional under NAFTA	Visa	
Spouse / Child of Permanent Resident Alien	V-1	Spouse of a Legal Permanent Resident (LPR) who is the principal beneficiary of a family-based petition (Form I-130) which was filed prior to December 21, 2000, and has been pending for at least three years.	Visa and EAD	A15
	V-2	Child of a Lawful Permanent Resident (LPR) who is the principal beneficiary of a family-based visa petition (Form I-130) that was filed prior to December 21, 2000, and has been pending for at least three years.		
	V-3	The derivative child of a V-1 or V-2.		

EAD ELIGIBILITY MATRIX

Certain borrowers may hold an EAD which does not require a corresponding Visa type. Borrower's holding the **EADs noted below are eligible without a Visa.**

EAD Code	EAD Code Definition
C09	Adjustment of status applicant
C10	• Nicaraguan Adjustment and Central American Relief Act (NACARA) section 203 applicants Applicant for

	suspension of deportation • Applicant for cancellation of removal
C24	LIFE legalization applicant
C31	• Principal beneficiary of an approved VAWA self-petition • Qualified child of a beneficiary of an approved VAWA self-petition
C33	Deferred Action for Childhood Arrivals

2.2 Ineligible Borrowers

- Foreign Nationals, and all Foreign Nationals as defined by the U.S. Citizenship and Immigration Services (USCIS)
- All Persons with Diplomatic Immunity, as defined by the U.S. Citizenship and Immigration Services (USCIS)
- Persons from OFAC sanctioned countries: <https://sanctionssearch.ofac.treas.gov/>
- Seller Employee Loans
- Trusts of any kind cannot be the borrower but may hold title
- ITIN Borrowers residing in the U.S.
- 501(c)(3) Organizations
- Trusts or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts
- Trusts or business entities where a Power of Attorney is used.
- Persons sanctioned by OFAC
- Businesses or Persons whose income derives from cannabis industry

2.3 Eligible Vesting

Fee Simple with Title Vesting as

- Individuals
- Joint tenants
- Tenants in Common

All parties who take title to the subject property must sign the Security Instrument. All parties to the loan do not have to be on title.

Borrower Types	Description
Primary	The occupying borrower who earns the largest portion of the qualifying income.

Co-borrower	Any borrower (other than the Primary) who is jointly responsible for repayment of the loan with the Primary Borrower. All Co-Borrowers must be on title.
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2.4 Eligible Occupancy

Borrower Types	Description
Primary Residence	<p>A Primary Residence is a property that the borrower will occupy or currently occupies as their primary residence. If there are multiple borrowers only one needs to occupy the property and take title. FTHBs are allowed.</p> <p>(See FNMA Guides for Primary Residence)</p>
Second Home	<p>A Second Home is a property that is located a reasonable distance from the borrower’s primary residence and is occupied by the borrower for some portion of the year. The property must be suitable for year-round occupancy and cannot be used as a rental property. FTHBs are allowed. Second homes are limited to the following:</p> <ul style="list-style-type: none"> ● One Dwelling Unit ● Condominium ● PUD ● Townhouse
Investment Property	<p>An Investment Property is defined as a 1 to 4-unit residential property that the borrower (nor any relative of the borrower) does not occupy. Requirements:</p> <ul style="list-style-type: none"> ● First Time Investor(s) are allowed with verified 12-month housing payment history. ● All investment property programs require a signed Business Purpose and Occupancy Affidavit.

3.0 Product Type

Product Type	Description
Closed End Second Liens	<ul style="list-style-type: none"> ● Closed End Seconds (CES) – fixed term, loan amount fully disbursed at time of origination, no “draw” period, and not an open-end credit plan ● The subject CES are referred to as the “Loan” or “Loans” ● Loans must be secured on residential real estate in the U.S.A

Loan Terms	<ul style="list-style-type: none"> • Fully amortizing payments • Fixed Rates • 10, 15, 20, 30 year fixed year terms • No draw feature or draw period – CES must be fully disbursed at time of origination • Must be a 2nd lien, subordinate to a simultaneous or previously closed 1st lien • Stand Alone Second or Piggyback behind a refinance are permitted
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4.0 Transaction Eligibility

4.1 Definitions and Requirements

Must meet Fannie Mae definitions and requirements for:

- Principal Residence, Second Home and Investment Property
- RT Refi – Rate and Term Refinance Transaction – Borrower must own home for one year
- Cash-Out Refinance Transaction - Borrower must own home for one year
- Single Family Residence (may be attached or detached)
- Condos (must be Fannie Mae warrantable)

Must meet Fannie Mae definitions for:

- Credit Score (including Fannie Mae Credit Score type and version)
- CLTV – Combined Loan to Value ratio
- HCLTV – Home Equity Combined Loan to Value ratio

Simultaneous vs. Standalone

- Loans closed simultaneously with a 1st lien mortgage (aka, a “piggyback”), must have and meet all requirements of either:
 - 1) Fannie Mae DU / Freddie Mac LP:
 - Approve/Eligible
 - Approve/Ineligible (if ineligible due to loan size for non-conforming 1st)

OR

 - 2) DU / LP or Manual Underwriting Approval based on the following income doc types only:
 - Documentation requirements as per DU
 - Full doc utilizing one- or two-years paystubs and W2/1099 &/or Tax Returns
- Second Mortgage Loans closed with a simultaneous 1st lien (aka, a “piggyback”) must follow the document type and approval requirements of the first mortgage lien. Loans are permitted to be by the same or different lenders for both the 1st and 2nd mortgage. We do not permit first mortgage used for purchasing the homes, also known as “purchase money” first, are not permitted.
- Standalone Second Mortgage Loans will follow the document type and approval requirements mentioned within this document. Fannie Mae manual underwriting requirements plus the below overlays. **Please defer to Fannie Mae manual underwriting requirements for any items not addressed within this guide.**

4.2 Eligibility Matrix

- The minimum loan amount is \$75,000.00
- Maximum loan amount is \$500,000.00
- Maximum loan amount combined with 1st lien balance is \$2,500,000.00
- See product Matrix for loan specifications
- Texas Properties are limited to 75% LTV, must have a min 720 FICO and be an investment property

4.3 Tradeline Requirements

All borrowers must have an established credit history and housing history that is partially based on tradeline history. Mortgage history must be 0x30x12. Loans that are run and received an approved eligible as per DU/LP are acceptable. If the loan is manually underwritten, then the primary wage earner is required to meet the minimum tradeline requirements and will have open and active tradelines that meet the following requirements:

Required Tradelines	Active Reporting Period	Min FICO Required
3 Tradelines	≥ 12 months	Per matrix
<u>OR</u>		
2 Tradelines	≥ 24 months	Per matrix

Housing History

Verification of Mortgage / Verification of Rent (VOM/VOR): Applications must be supported by the most recent 12-month mortgage and/or rent pay history. A VOM must be obtained for all outstanding mortgages the borrowers have if not evidenced by their credit report, including private mortgages. The VOM/VOR is reviewed for delinquencies with the greatest weight focused on the last 12 months. Verification needs to reflect pay history up to date as of application date. If Credit Bureau Report does not reflect pay history required, other Acceptable methods of a Verification are:

For mortgage payments

- VOM ordered from Mortgage Servicer
- Electronic Pay History printout directly from Mortgage Servicer showing timely payments
- Bank Statements showing account ownership and timely payments debited by Mortgage Servicer
- Cancelled checks front and back as well as a most recent mortgage statement
- For private mortgages, provide a fully executed VOM together with either bank statements showing account ownership and timely payments debited by Mortgage Servicer OR cancelled checks front and back along with the most recent mortgage statement

For rental payments

- If was/is renting from a private party, either fully executed VOR OR most recent lease for each address, along with verification of timely payments made (either canceled checks front and back OR bank statements showing account ownership and payments debited by landlord) are required
- If was/is renting from a management company, either fully executed VOR OR most recent lease, along with payment history ledger from management company, canceled checks front and back OR bank statements showing account ownership and payments debited by management company

Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. Properties owned free and clear are considered 0x30 for grading purposes.

Borrowers living rent free prior to consummation of 1st lien are acceptable with rent-free letter from spouse/homeowner/lessee along with copy of mortgage or current lease to document responsible party for address to satisfy their 12-month housing history.

Collections, Judgements, Liens

- Judgements, Garnishments and Liens: The borrower must pay-off all open judgements, garnishments, and liens (including mechanics liens or material men's liens) prior to the loan closing
- Collection Accounts and Charge-offs do not have to be paid in full if the following applies:
 - Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000

- Collections and charge-offs \geq 24 months old with a maximum of \$2,500 per occurrence
- Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)
- All medical collections
- Exception: IRS repayment plans with 3 months history of payments may remain unpaid.
- Past Due Accounts must be brought current

Forbearance, Deferred Payments, Modifications

- Forbearance, Covid forbearance, deferred payments, or mortgage loan modification are unacceptable credit events and disqualifies borrower(s) from financing
- Examples of mortgage loan modifications are:
 - Forgiveness of a part of principal and/or interest on either the first or second mortgage
 - Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness
 - Conversion of any part of the original mortgage debt to a “soft” subordinate mortgage
 - Conversion of any part of the original mortgage debt from secured to an unsecured debt

Significant Adverse Credit Event

- Bankruptcy (except Ch. 13), Short Sale, Deed-in-Lieu or Charge-off Mortgage must be seasoned at least 60 months from time of application
- Chapter 13 Bankruptcy, 2 years from the discharge date or 4 years from the dismissal date
- Foreclosure must be seasoned 84 months from time of application
- If multiple derogatory credit events, must be seasoned 84 months from most recent event to date of application

5.0 Documentation Type

5.1 Ineligible First Mortgage Products and Terms

The first mortgage on the subject property may not have any of the following characteristics:

- Purchases - being used to purchase the home
- Negative amortization
- Modification from original terms
- Loans in forbearance or deferment
- Loans with Term > 30 years
- Private mortgage

- Reverse Mortgages
- Balloon loans
- First Lien HELOC
- CEMA transactions
- Cross Collateralized loans
- Land contract or contract
- Fannie Mae Homestyle, HFA, Refi Now, HomeReady, Affordable Refi and Down Payment Assistance Programs

5.2 Full Documentation

Unless otherwise addressed, Fannie Mae manual underwriting should be followed.

Simultaneously closed Loans with DU or LP

- The first mortgage cannot be a purchase loan.
- All first lien mortgages must use the fully amortizing payment for qualification.
- Must follow all requirements of the DU or LP approval and contain at least one or two years of third-party documentation (see below) to verify the borrower(s) qualifying income.
- Documentation Requirements:
 - Final approval letter for first mortgage loan showing 2nd mortgage and all conditions have been satisfied.
 - Copy of first mortgage note or billing statement (if contains terms of note) must be included in loan file.
 - All documentation requirements from first mortgage investor.
 - Final closing disclosure from first mortgage transaction.

Loans with an Automated Underwriting System (AUS) certificate:

- 1) Fannie Mae DU (Desktop Underwriter Score):
 - Approve/Eligible
 - Approve/Ineligible (if ineligible due to loan size for non-conforming 1st)

OR

- 2) Freddie Mac LP (Loan Prospector):
 - Accept
 - Accept/Ineligible (if ineligible due to loan size for non-conforming 1st)

All loans where an AUS certificate is absent:

- 1st lien terms are required to be documented and considered (for example, CLTV/HCLTV and DTI calculations)

- Must meet all requirements within these underwriting guidelines
- Unless otherwise addressed, Fannie Mae Underwriting Guidelines should be followed

Standalone Loan

- Documentation Requirements:
 - All income and debts must be fully documented according to Fannie Mae manual underwriting guidelines
 - Copy of first mortgage note and billing statement must be included in loan file
 - Age of credit report, employment, income, and asset documentation may not exceed 120 days from the date the borrower(s) signs the Note.

5.3 Bank Statement Income

When analyzing Business Bank Statements, the Lender must verify the borrower's percentage of ownership. Acceptable forms of documentation would be a Business License, a signed written statement from a CPA or a Third-Party Tax Preparer (excluding PTIN tax preparers), Operating Agreement reflecting borrower as "single member", Articles of Incorporation/Articles of Organization that reflects the borrower as President, Director, or Officer of the company and his/her name is the only name listed, a Partnership Agreement, or a Business Certificate filed with a governmental agency. Self-employed borrowers can use either personal or business bank statement documentation. The following apply to both types of documentation:

- Personal History - Borrowers should be self-employed for at least two years. However, a borrower may qualify with less than two years but more than one year if the borrower can document at least two years of documented previous successful employment in the same line of work in which the person is self-employed or related occupation or one year of employment and formal education or training in the same line of work.
- Businesses History - Business should be established and have been in existence for the past two years. However, if a borrower is qualifying with less than two years but more than one year of self-employment, then the business should be established for the same length of time.
- A Third-Party Verification that the business is in existence and in good standing is required.
- Like-to-Like Accounts - All parties listed on a personal bank account used for income must be included as borrowers on the application.
- Recent and Continuous - Statements used for income must be consecutive and reflect the most recent months available.
- Stability - Statements must support stable and generally predictable deposits; large and unusual deposits must be sourced if they cannot be sourced, they will be excluded. Cash is not an acceptable deposit source when not customary to the business type.
- Earnings Decline may result in loan disqualification
- Net Decrease - Withdrawals consistently greater than deposits will be considered declining cashflow/income. LOE from borrower or their tax preparer must be satisfactory. *The CPA/Licensed Tax Preparer (excluding PTIN

tax preparers) must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated or /associated with the borrower's business if they have not done so somewhere else in the loan file.

- Non-Sufficient Funds (NSF) - ATM considers Non-Sufficient Funds as any account going negative and staying negative for more than 24 hours. Non-Sufficient Funds typically result in a fee charged by the financial institution. ATM will allow three Non-Sufficient Funds within the last 12 months. LOE must be satisfactory.
- Overdraft protection (OD) - ATM considers an overdraft to be an event where an account has gone negative but is linked with another account or line of credit with the same financial institution. ATM will allow these and treat them as an isolated incident provided the account does not reflect a negative balance and shows a transfer from another account. LOE must be satisfactory.
- Transfers will also be excluded unless it is a wire transfer in from another company for services rendered
- ATM will consider other forms of income used in conjunction with the Bank Statement Program such as W2 income or fixed income such as Social Security Benefits
- When a signed and dated Third Party P&L is provided, it must cover the same dates as the bank statements

Personal Bank Statement

The following documentation is required:

- 12 or 24 months complete personal bank statements (multiple bank accounts may be used). Dated within 30 days of application: and
- Two (2) months business bank statements (to support the borrower does maintain separate account(s)). If business bank statements cannot be provided to evidence a separate business account, then a 10% expense factor may be applied as long as there is no indication that the personal assets are a co-mingled account.
- Transaction histories are not acceptable
- The Initial 1003 with monthly income disclosed
- Bank statements reflecting other individuals except non-borrowing spouses who are not applicants on the loan are not eligible
- When spousal joint accounts are used, the borrower must be 100% owner of the business, all income/deposits from the non-borrowing spouse must be removed and all parties must attest in writing to the income belonging to the applicant.

The following apply when analyzing personal bank statements:

- 100% of personal bank account deposits.
- Large deposits and any unidentified deposits as determined by the underwriter must be sourced.
- Transfers will be excluded unless they are from a documented business account
- Cash is not an acceptable deposit source

NOTE: Qualifying income will be total net deposits divided 12 or 24 (or net deposit reduced by applicable expense ratio when no supporting business accounts are provided)

1003 Initial Disclosed Income: Income disclosed on the initial signed application should be reviewed. If income calculated is significantly different than income stated on the 1003, the underwriter should request an explanation from the borrower to determine acceptability of the income.

Business Bank Statements

The following documentation is required:

- 12 or 24 months of complete business bank statements from the same account. (If an account has been moved to a different Bank and is shown to be one and the same, that will be acceptable). Co-mingling of multiple accounts to generate a full 12 or 24 months is not permitted.

The following apply when analyzing business bank statements:

- Reasonable and Customary Eligible Business Expenses from personal bank accounts:
 - Personal bank accounts that are addressed to a DBA.
 - Personal bank accounts that can evidence use for business expenses.
 - Blended bank statements are allowed on a case-by-case basis with sole proprietor structure.
- Wire transfers from other accounts must be either documented or excluded.
- Declining balances will require a detailed LOE
- Transaction histories are not acceptable.
- Borrower must be at least 25% owner of the business. If multiple owners, then the income used will be based on ownership percentage(s).
- Third-Party verification of business existence
- Business Bank Statements must be consecutive and from the most recent period
- Cash is not an acceptable deposit source

Qualifying Income will be determined based on **one** of the following calculations below:

- Percentage of Gross deposits as calculated using a fixed expense ratio factor of 50%

OR

- Percentage of gross deposits as calculated using a fixed expense ratio factor as provided by a Certified Public Accountant, Enrolled Agent, CTEC or Chartered Tax Adviser. *We do not allow PTIN tax preparers. The CPA/Licensed Tax Preparer must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated/associated with the borrower or their business.

OR

- The monthly net income using a net income average from a validated third-party prepared P&L. The total deposits calculated with 12 or 24-months of business bank statements are used solely to validate third-party prepared P&L. P&L statement covering the same 12- or 24-month period as the bank statements. **Borrower prepared P&L will not be permitted under any circumstances.** The Certified Public Accountant, Enrolled Agent, CTEC or Chartered Tax Adviser must attest that they have audited the business financial statements or reviewed working papers provided by the borrower as well as attest that they are not affiliated/associated with the borrower’s business. *We do not allow PTIN tax preparers

1003 Initial Disclosed Income: Income disclosed on the initial signed application should be reviewed. If income calculated is significantly different than income stated on the 1003, the underwriter should request an explanation from the borrower to determine acceptability of the income.

6.0 Collateral

6.1 Eligible Property Types

- 1 unit Single Family Dwelling (attached or detached)
- Planned Unit Development (PUD)
- Condominium (Warrantable Only)

6.2 Ineligible Property Types

<ul style="list-style-type: none"> • Properties located in a declining market • Manufactured housing or Manufactured Homes • Modular homes • Working Farms • Non-Warrantable Condos • Time-shares • Condotels • Boarding houses • Rural properties greater than 10 acres • Commercial properties 	<ul style="list-style-type: none"> • Mixed Use • Assisted Living • Properties Under Construction • C5 or C6 property condition grades • Unique Properties • Work escrows are not allowed • Agricultural properties • Geodesic domes • Mortgage Loans financing builder inventory • 2-4 Units • Commercial Property
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<ul style="list-style-type: none"> • Vacant lots • Log Homes 	<ul style="list-style-type: none"> • Barndominiums
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6.3 Declining Markets

Properties that are in a declining market as designated by the appraiser are not permitted

6.4 Project Review Warrantable

FNMA eligible Warrantable projects are permitted. UW Attestation and/or documentation clearly stating whether the property is warrantable must be delivered with the file. Site Condos meeting the FNMA definition are eligible for single-family dwelling LTV/CLTV. Maximum project exposure shall be \$2,000,000 or 15% of project whichever is lower.

6.5 Valuation Review Requirements

NOTE: Investor reserves the right to require additional appraiser re-valuation reports depending on age of documentation at time of full loan delivery/purchase.

HPML Loans:

Higher Priced Mortgage Loans (“HPML”) that are not Qualified Mortgages require a full appraisal with an interior inspection regardless of loan amount.

Loan Amounts <= \$250,000:

For loans with original loan amount less than or equal to \$250,000, one of the following is required:

- Automated Valuation Model (AVM) from an approved vendor with an acceptable forecast standard deviation (FSD) as noted below in these guidelines, AND a new Property Condition Report with acceptable findings, or
- Exterior drive-by appraisal (Hybrid or Fannie Mae Form 2055), or
- New appraisal (Fannie Mae Form 1004/1073), or
- Prior 1st lien appraisal (with color photos) dated within 12 months of subject loan Note Date allowed, subject to all the following:
 - Subject loan must be originated by same lender as the prior 1st lien loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by original appraiser

Loan Amounts > \$250,000:

For loans with original loan amount greater than \$250,000, one of the following is required:

- New appraisal (Fannie Mae Form 1004/1073), or

- Prior 1st lien appraisal (with color photos) dated within 12 months of subject loan Note Date allowed, subject to the following:
 - Subject loan must be originated by same lender as the prior 1st lien loan, and
 - A new Property Condition Report with acceptable findings, and
 - Recertification of value by original appraiser, and
 - AVM from an approved vendor with an acceptable FSD (as noted below in these guidelines), and
 - The value used for calculating the subject loan’s CLTV is the lower of the AVM value or the prior 1st lien appraisal value.

Approved AVM Vendors	Acceptable FSD Score
Clear Capital	<= 0.13
Collateral Analytics	<= 0.10
CoreLogic	<= 0.13
Homegenius Real Estate (fka Red Bell)	<= 0.10
House Canary	<= 0.10
Quantarium	<= 0.10
Veros	<= 0.10

6.6 Title Insurance

For loan amounts greater than \$250,000:

- ALTA Standard Coverage Policy insuring the second lien amount

For loan amounts less than or equal to \$250,000:

- ALTA Residential Limited Coverage Junior Loan Policy or ALTA Standard Coverage Policy insuring the second lien amount, or
- An Owner and Encumbrance Report, reflecting:
 - How the property was conveyed to current owner
 - Open mortgages
 - Liens and judgments
 - Tax information
 - Legal description

For concurrent (piggyback transactions), the title policy from the 1st lien transaction can be utilized. Must include copy of title insurance, CPL and wire instructions.

6.7 Hazard Insurance

Hazard insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. ATM requires hazard insurance protection on all loans. 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.

Coverage does not need to be increased for the second, however ATM is to be added as additional loss payee. A declaration page is required prior to closing for all loans as proof of insurance. 2nd lien must be reflected as loss payee on declaration page. Follow FNMA guidance for additional information.

6.8 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing. Flood insurance must be maintained throughout the duration of the loan.

7.0 Exceptions

Exceptions to ATM Guides can be made at the lender's discretion by submitting an ATM Exception Request form to ATM, through your Account Executive. ATM Underwriter should review the loan file to ensure prudent underwriting was used as well as listing compensating factors for the loan exception on the form.

ATM is under no obligation to purchase loans that meet these guidelines or has an exception on the loan file. Compliance with these guides does not create a commitment by ATM to purchase.

