

Home Equity Line of Credit (HELOC) DSCR Program

Product code	SUNHELOC09: HELOC DSCR Program												
Loan purpose	- Cash-out Refinance - Purchase												
Transaction type	Standalone 1st lien position												
Occupancy	Investment properties – Business purpose loan												
Eligible states	- All states except American Samoa, Guam, Northern Mariana Islands. - Investment property loan in Baltimore City (Maryland) is not allowed.												
Amortization type	30-years variable term with 3-year draw period with 3 years I/O												
Qualifying payments	<table><tr><th rowspan="2">Margin + Index</th><th colspan="2">Rate limits</th><th rowspan="2">Minimum payment during draw period</th></tr><tr><th>Life cap</th><th>Life floor</th></tr><tr><td>WSJ Prime rate index plus a margin as per rate sheet</td><td>18%</td><td>6.75%</td><td>I/O calculation, greater of interest amount or \$100</td></tr></table>			Margin + Index	Rate limits		Minimum payment during draw period	Life cap	Life floor	WSJ Prime rate index plus a margin as per rate sheet	18%	6.75%	I/O calculation, greater of interest amount or \$100
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Minimum draw requirement	Initial draw for purchase: 100% of the total loan amount. Initial draw for cash-out refinance: Minimum: 75% of the total credit limit.												
Eligible borrowers	- U.S. Citizen - Permanent Resident Alien - Non-Permanent Resident Alien												
Ineligible borrowers	- First-Time Homebuyer - Foreign National - ITIN Borrower - Irrevocable Trust - Land Trust - Blind Trust - Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services. - Persons from OFAC sanctioned countries and persons sanctioned by OFAC. - Not-For-Profit entity												
Maximum number of borrowers	The maximum number of borrowers allowed per loan is four (4).												
Experienced investor	- An experienced investor is an individual borrower who has a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 months anytime during the most recent 12-month period. - For files with more than one borrower, only one borrower must meet the definition. - Ownership history must be documented for other Real Estate Owned (REO) with one of the following: - Mortgage history on credit report. - Property profile report. - Other 3rd party documentation (e.g. Fraud Guard, Settlement Statement, Closing Disclosure).												

First time investor	• First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently owns a primary residence for at least one (1) year. • Ownership history must be documented for primary residence with one of the following: ◦ Mortgage history on credit report ◦ Property profile report ◦ Other 3rd party documentation (e.g. Fraud Guard, Settlement Statement, Closing Disclosure)
Vesting allowed	• Ownership must be fee simple. • Acceptable forms of vesting are: ◦ Individuals ◦ Joint tenants ◦ Tenants in common ◦ Inter Vivos revocable Trust. ◦ Entity - LLC, Corporation, or Partnership
Eligible properties	• Single Family residence (1-unit) • 2-4 units • PUD • Warrantable Condominium • Site Condo
Ineligible properties	• Leasehold • AG Zoning • Deed or Resale Restricted Properties • Non-warrantable condominium • Manufactured Home • Condotel
Compliance	• No section 32 or state High-cost loans are allowed. • Loans must comply with all applicable Federal and State regulations.
Underwriting	• Refer to the Fannie Mae Selling Guide for any topic not specifically addressed herein.
Prepayment penalty	• No prepayment penalty
Approval type	• Manual underwritten loans
Minimum credit score	• 700 • Minimum 2 credit score required for all the borrowers.
Non-traditional credit	• Not allowed
Maximum debt to income ratio	• Not applicable
Minimum loan amount	• \$50,000
Determination of LTV/CLTV	• If the property is purchased within 12 months, then LTV/CLTV is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.

Eligibility matrix • Following eligibility matrix is applicable:

Minimum DSCR	LTV/CLTV matrix for 1 st lien HELOC			
	Maximum Loan amount	FICO	LTV/CLTV	Reserve requirements
DSCR ≥ 0.75	\$2,000,001 - \$3,000,000	760	75%	6 months
	\$750,001 - \$2,000,000	720	75%	
	\$50,000 to \$750,000	720	75%	
		700	70%	
No Minimum DSCR	\$2,000,001 - \$3,000,000	760	75%	12 months
	\$50,000 - \$2,000,000	720	75%	12 months
	\$50,000 - \$750,000	700	70%	9 months

- Note: Cash out proceeds can't be used for reserve requirement.

Declining markets

- LTV/CLTV must be reduced by 5% if appraisal indicates the property is located within a declining market.

Debt to be paid off at closing

- If borrower is paying off the debt at the time of loan closing, then only business-related debt can be paid off from the loan proceeds.
- Borrower's personal debt is not allowed to be paid off from the proceeds.

Minimum tradeline requirement

- All borrower and guarantors must meet the minimum tradeline requirements as per below:

Transaction	Tradeline requirement
All Transactions	Any of the below is required to be met: • 3 trade lines reporting for a minimum of 12 months with activity in the last 12 months. • 2 tradelines reporting for a minimum of 24 months all with activity in the last 12 months.

- **The following are not valid tradelines:**
 - Liabilities in Deferment status
 - Account discharged through bankruptcy
 - Authorized user account
 - Charge offs
 - Collection accounts
 - Foreclosures
 - Deed in lieu foreclosure
 - Short Sales
 - Pre-closures sales

Housing or mortgage lates

- The 12 months mortgage history on both the borrower's primary residence and the subject property [if subject property is a refinance transaction] are required.
- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history requirements.
- No 30 days late allowed in the last 12 months on all mortgages for all the borrowers.

Verification of mortgage (VOM) completed by a private party

- Any VOM completed by a private party, or interested party must require most recent 6 months of cancelled checks or bank statements on the loan.

Evidence of primary residence

- All borrowers and guarantors must maintain a primary residence. Evidence of primary occupancy is required.

Primary residence ownership status	Documentation requirement
Primary residence owned by the borrower	Proof of ownership of a primary home superior in value and/or appeal to subject

Collection or charge-offs

- Follow FNMA guidelines for collection and charge-offs.

Lawsuits

- If the application, title or credit documents reflect that the borrower is involved in a lawsuit or litigation, the borrower is not eligible.

Judgment / tax lien

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

Housing events

- Following waiting periods are applicable on housing events:

Housing events	Waiting Period
Foreclosure, short-sale, deed in lieu, bankruptcy	48 months
Multiple Events [Foreclosure, short-sale, deed in lieu, bankruptcy]	84 months
Forbearance, Modification, Deferral	24-months of consecutive payments since exiting plan

- **Notes:**

- Bankruptcy must be measured from the discharge/dismissal date to the Note date.
- Foreclosure, short-sale, deed in lieu must be measured from the settlement/deed date to the Note date.
- In the case of a foreclosure/ 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 short sale/deed-in-lieu/foreclosure completion date.

Solar liens

- Anything that will include a UCC filing associated with the property and/or will create an easement on title is ineligible.

Land contract/ contract for deed

- Paying off land contract or contract for deed is not acceptable.

Income documentation type allowed

- No income documentation is required.

Vacant property overlay for DSCR <=0.75

- The below additional overlays are applicable for DSCR <=0.75:
 - Refinance transaction:
 - Property must be tenant occupied.
 - Vacant property is not allowed in case of refinance transaction.
 - The underwriter must review and justify that the residential property is actively marketed for rent and will remain tenant occupied for a reasonable period of time.
 - Purchase Transaction:

- Vacant unit or property is allowed for the purchase transaction.
- The underwriter must review and verify that the vacant residential property or unit is actively marketed for rent.

Debt service coverage ratio (DSCR) documentation

- **Long Term rental documentation:**
 - FNMA Form 1007 or 1025 reflects long-term market rents.
 - Executed Lease agreement.
- **Short-term rental (e.g., Airbnb, VRBO, Flip Key) documentation:**
 - A 5% LTV reduction applies to all transactions using short-term rental income.
 - FNMA Form 1007 or 1025 reflecting short-term market rents.
 - The most recent 24-month bank statements from the borrower evidence short-term rental deposits. The borrower must provide rental records for the subject property to support monthly deposits.
 - Gross rents must be reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property.

Debt service coverage ratio (DSCR) calculation

- DSCR is defined as ratio of the qualifying subject property rent and PITIA of the 1st [if applicable] and 2nd lien mortgage.
- Gross rents divided by PITIA = DSCR.
- **Long term gross rental income calculation:**
 - Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025 as per below:
 - Lower of executed lease agreement or market rents provided in 1007/1025.
 - Reduce qualifying rents by any vendor or management fee reflected on appraisal report.
- **Short term gross rental income calculation:**
 - Monthly Gross Rents are determined by using the following:

$$[(24 \text{ months deposits} * 0.80) / 24 \text{ months}] - (\text{Vendor or Management fee as per appraisal})$$
- **Note:**
 - If there are months when the property is vacant, use zero for that month in the average.
 - Vacant unit must be qualified using 75% of the market rent.

Lease requirements

- Monthly lease payments must be consistent with market rents.
- The Property must not and cannot be occupied by a borrower, any member of the borrower's LLC, or any family member.
- Lease must be in U.S. dollars.
- Month-to-month leases are allowed if all the below requirements are met:
 - 12 months have been completed since the initial lease term.
 - The lease agreement includes a month-to-month clause.
 - Proof of rent must be provided for at least 3 consecutive months prior to note date.
 - Proof of receipt of security deposit is required for the new lease agreement.

Eligible tenant

- The borrower and/or the borrower's immediate family must not occupy or occupied the property at any time.

Assets

- Most recent one-month bank statement is required on the loan.

Gift/Gift of equity

- Gift funds or gift of equity is not allowed on the loan.

Recently listed for sale for cash-out refinance

- The subject property must be taken off the market on or before the application date.

Fraud guard

- Required for all the borrowers.

Non-arm's length transaction

- Not allowed.

Secondary/Subordinate financing

- Secondary or Subordinate Financing is allowed.
- Subordinate financing is subject to the following:
 - Subordinate financing must be recorded and clearly subordinated to the new mortgage.
 - Maximum CLTV is equal to maximum LTV.
 - Seller-held subordinate liens are not permitted.
 - Negative amortization is not allowed.
 - Private party secondary financing not allowed.
 - Subordinate liens can be paid off through closing.
- If the subordinate financing is being subordinated, the following is required:
 - The repayment terms of the existing second lien.
 - An unsigned copy of the subordination agreement prior to closing; and
 - A copy of the executed subordination agreement at closing.

Title policy

- ALTA, Jr ALTA, ALTA lite, ALTA Short Form – Lender's policy.

Power of attorney

- Power of Attorney is not acceptable.

Appraisal requirement

- Full Appraisal is required on the loan.
- Form 1007 Schedule of Rents is required.
- Transferred appraisal is acceptable.
- Secondary Valuation is not required.
- Below are not acceptable:**
 - Appraisal waivers are not acceptable.
 - Appraisals with condition or quality ratings of C5 or C6 will not be eligible.

Assumable

- Not allowed

Escrow

- Not allowed

Age of the documents

- The expiration dates are based on the Note date of the loan.

Documents	Validity
Credit Documents	120 days
Asset Documents	60 days
Title report	60 days
Appraisal	120 days

Requirements when vesting in the name of Entity

- Entity must be domiciled in a U.S. state.
- Any business structure is limited to a maximum of four owners/ partners.
- Personal guaranties must be provided by all the owners of the entity.
- Each owner must complete the initial application (Form 1003).

Documentation when vesting in the name of Entity

- Limited Liability Company:**
 - Entity Articles of Organization, Partnership, and Operating Agreements, if any.
 - Corporate documents that contain a list of owners along with titles.
 - Tax Identification Number (Employer Identification Number - EIN)
 - Certificate of Good Standing or equivalent

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- Certificate of Authorization for the person executing all documents on behalf of the Entity.
 - LLC Borrowing Certificate
 - Receipt of the current year franchise tax payment or clear search or evidence the state does not require a franchise tax payment.
 - **Partnership:**
 - Filed Partnership Certificate
 - Partnership Agreement (and all amendments)
 - Certificate of Good Standing
 - Tax Identification Number (EIN)
 - Limited partner consents (where required by partnership agreement).
 - Receipt of the current year franchise tax payment or clear search or evidence the state does not require a franchise tax payment.
 - **Corporation:**
 - Filed Certificate/Articles of Incorporation (and all amendments)
 - By-Laws (and all amendments)
 - Certificate of Good Standing
 - Tax Identification Number (EIN)
 - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation.
 - Receipt of current year franchise tax payment, clear search, or evidence the state does not require a franchise tax payment.
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