

## Non-QM DSCR PROGRAM MATRIX

Single Investment Property				
Maximum LTV/CLTV		>= 1.00		
Minimum Credit Score	Maximum Loan Amount	Purchase	R/T Refinance	Cash-Out Refinance
700	1,000,000	80	75	75
	1,500,000	80	75	75
	2,000,000	75	70	70
	3,000,000	70	65	65
	3,500,000	70	65	NA
660	1,000,000	75	75	75
	1,500,000	75	70	70
	2,000,000	70	65	65
	2,500,000	70	65	65
	3,000,000	65	NA	NA
620	1,000,000	75	70	70
	1,500,000	65	65	65
	2,000,000	65	NA	NA
	3,000,000	60	NA	NA
Maximum LTV/CLTV		< 1.00		
700	1,000,000	75	70	70
	1,500,000	75	70	70
	2,000,000	70	65	65
	2,500,000	65	NA	NA
	3,000,000	60	NA	NA
660	1,000,000	70	65	65
	1,500,000	70	65	65
	2,000,000	65	60	60
	3,000,000	60	NA	NA
Housing History	Credit Event Seasoning	Investor Experience		
<ul style="list-style-type: none"> <li>1x30x12 – No reduction</li> <li>0x60x12 – Max 70% LTV Purchase &amp; Max 65% LTV Rate/Term &amp; Cash-out</li> </ul>	BK/FC/SS/DIL: <ul style="list-style-type: none"> <li>&gt;=36 Mo – No reduction</li> <li>&gt;=24 Mo – Max 75% LTV Purchase &amp; Max 70% LTV Rate/Term &amp; Cash-out</li> </ul> <b>Housing Event Seasoning:</b> Forbearance, Mod or Deferral: See Underwriting Guide	<b>Experienced Investor:</b> Borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years. <b>First Time Investor:</b> A borrower not meeting the experienced investor criteria. <ul style="list-style-type: none"> <li>First Time investors eligible subject to the following restrictions:                             <ul style="list-style-type: none"> <li>Min credit score: 680</li> <li>No mortgage late payments during the past 36 Mo</li> <li>&gt;= 36 Mo from any credit event</li> <li>Cash-out not eligible</li> </ul> </li> <li>First Time Home Buyer not eligible</li> </ul>		
Unleased Properties	All refinances: Eligibility (LTV) must use the DSCR < 1.00 matrix for all properties with any unleased (vacant) units. Pricing is based upon the DSCR from the gross rents on the 1007. Not applicable for short-term rentals. Refer to short-term rental income section for specific criteria.			
Declining Market and State/CBSA Restrictions				
If either or both of the following apply: 1) the appraisal report identified the property as declining market; 2) the subject property is in a state or CBSA in the table at the end of this document, the maximum LTV/CLTV is limited to 75% for purchase and 70% for all refinances and the maximum loan amount is limited to \$2MM.				
Ineligible locations: HI, NY, RI, UT, Puerto Rico, Guam, & the US Virgin Islands				
General Requirements				
Product Type	Fixed Rate Terms: 15, 30, 40-years; 5/6 ARM, 7/6 ARM, 10/6 ARM (40-year term ARMs available when combined with interest only feature)			
Interest Only	• Min Credit Score: 660		• Max LTV: 80%	
Loan Amounts	• Min: 100,000		• Max: 3,500,000	
Loan Amt < 150K	Max LTV/CLTV: Purchase 70%, any Refinance 65% (Min DSCR 1.25)			
Loan Purpose	Purchase, Rate/Term, and Cash Out			
Occupancy	Investment			

Date: 10/16/2023



General Requirements - Continued	
<b>Property Type</b>	<ul style="list-style-type: none"> <li>• Single Family, Attached/Detached: No restrictions.</li> <li>• 2-4 Units and Condominiums: Max LTV/CLTV: Purchase 75%; Refinance 70%</li> <li>• Condo Hotel: Max LTV/CLTV: Purchase 75%; Refinance 65% - Max Loan Amount \$1,500,000</li> <li>• Rural: Not Eligible</li> </ul> <p><b>Florida Condominiums:</b> A structural inspection is required for projects:</p> <ul style="list-style-type: none"> <li>• Greater than 5 stories, and</li> <li>• Over 30 years old (or 25 years if within 3 miles of the coast)</li> </ul> <ul style="list-style-type: none"> <li>• Projects with an unacceptable or no inspection are not eligible.</li> </ul>
<b>Acreage</b>	Property up to 2-acres, not meeting the rural definition, eligible (Rural is not eligible)
<b>Max Cash-In-Hand</b>	<ul style="list-style-type: none"> <li>• LTV <math>\geq</math> 65% - \$500,000</li> <li>• LTV &lt; 65% - \$1,000,000</li> <li>• Total equity withdrawn cannot exceed these limits (Not applicable to Delayed Financing transactions)</li> </ul>
<b>Appraisals</b>	FNMA Form 1004, 1025, 1073 with interior/exterior inspection. Appraisal review product required unless 2 <sup>nd</sup> appraisal obtained. 2 <sup>nd</sup> Appraisal required for loans > \$2,000,000.
Income Requirements	
<b>Income</b>	<p><b>Long Term Rental Documentation and DSCR Calculation</b></p> <ul style="list-style-type: none"> <li>• <b>Purchase Transactions:</b> <ul style="list-style-type: none"> <li>○ Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.</li> <li>○ If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent.</li> <li>○ A vacant or unleased property is allowed without LTV restriction.</li> </ul> </li> <li>• <b>Refinance Transactions:</b> <ul style="list-style-type: none"> <li>○ Required documentation: <ul style="list-style-type: none"> <li>• FNMA Form 1007 or 1025 reflecting long-term market rents, and lease agreement.</li> <li>• If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of lease.</li> </ul> </li> <li>○ Monthly Gross Rents are determined by the higher of the actual lease amount or market rent from 1007/1025. If using a higher monthly actual lease amount, evidence of 2-months of receipts is required, and the lease amount must be within 120% of the estimated market rent from the 1007 or 1025.</li> <li>○ A vacant or unleased property is allowed. Eligibility (LTV) must use the DSCR &lt; 1.00 matrix for all properties with any unleased (vacant) units. Pricing is based upon the DSCR from the gross rents on the 1007.</li> </ul> </li> <li>• <b>DSCR Calculation:</b> <ul style="list-style-type: none"> <li>○ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See this matrix for required Debt Service Coverage Ratios.</li> <li>○ Gross rents divided by PITIA = DSCR</li> </ul> </li> </ul> <p><b>Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation</b> Short-term rental are properties which are leased on a nightly, weekly, monthly, or seasonal basis.</p> <ul style="list-style-type: none"> <li>• <b>Short-Term Rental Income – Purchase and Refinance Transactions:</b> <ul style="list-style-type: none"> <li>○ LTV is lesser of 75% for a purchase and 70% for a refinance, or the LTV based upon the DSCR/FICO/Loan Balance. (excludes Condo Hotel projects)</li> <li>○ DSCR Calculation: <ul style="list-style-type: none"> <li>• Monthly gross rents based upon a 12-month average to account for seasonality required.</li> <li>• Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.</li> <li>• (Gross Rents * .80) divided by PITIA = DSCR</li> </ul> </li> </ul> </li> <li>• Any of the following methods may be used to determine gross monthly rental income: <ul style="list-style-type: none"> <li>○ A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.</li> <li>○ The most recent 12-month rental history statement from the 3<sup>rd</sup> party rental/management service. <ul style="list-style-type: none"> <li>• The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The rental income will exclude all vendor or management fees.</li> </ul> </li> <li>○ The most recent 12-months bank statement from the borrower evidencing short-term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.</li> <li>○ AIRDNA Rentalizer and Overview reports, accessed using the Explore Short-Term data, must meet the following requirements: <ul style="list-style-type: none"> <li>• Rentalizer (Property Earning Potential) <ul style="list-style-type: none"> <li>▫ Only allowed for purchase transaction</li> <li>▫ Gross rents equal the revenue projection from the Rentalizer Report less the 20% extraordinary expense factor</li> <li>▫ Forecast period must cover 12 months from the Note date</li> <li>▫ The occupancy rate must be &gt; 60% <ul style="list-style-type: none"> <li>• Maximum occupancy limited to 2 individuals per bedroom</li> </ul> </li> <li>▫ Must have five (5) comparable properties, all within the same ZIP code <ul style="list-style-type: none"> <li>• Must be similar in size, room count, amenities, availability, and occupancy</li> </ul> </li> </ul> </li> <li>• Overview Report (Evaluate a Market) <ul style="list-style-type: none"> <li>▫ Market grade by zip code</li> <li>▫ Must be 60 or greater</li> </ul> </li> </ul> </li> </ul> </li> </ul>

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Underwriting Requirements			
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>Use highest decision score amongst all borrower(s)/ guarantor(s).</li> <li>Middle of 3 scores or lower of 2</li> </ul>	<b>Tradelines</b>	<ul style="list-style-type: none"> <li>If borrower/guarantor has three (3) credit scores, the minimum tradeline requirement is waived</li> <li>Min: 2 reporting 24-months w/activity in last 12- months or 3 reporting 12-months w/recent activity</li> </ul>
<b>Assets</b>	Min of 30-days asset verification required	<b>Reserves</b>	<ul style="list-style-type: none"> <li>2 months of PITIA</li> <li>Loan Amount &gt; \$1.5M: 6-months of PITIA</li> <li>Loan Amount &gt; \$2.5M: 12-months of PITIA</li> <li>Cash out may be used to satisfy requirement</li> </ul>
<b>Gift Funds</b>	Allowed after min 10% borrower contribution	<b>Document Age</b>	90-days
<b>Prepayment Penalty - Investment Property Only</b>	<u>Acceptable Structures include the following:</u> <ul style="list-style-type: none"> <li>5% Fixed percentage of no less than 3%</li> <li>Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: {5%/4%/3%/3%/3%} or {5%/4%/3%/2%/1%}</li> <li>Six (6) months of interest on prepayments that exceed 20% of the original principal balance in a given 12-month time period.</li> </ul>		<ul style="list-style-type: none"> <li>Prepayment periods up to 5-Years eligible, see rate sheet</li> <li>Penalties not allowed in AK, KS, MI, MN, NM, OH and RI</li> <li>Penalties not allowed on loans vested to individuals in IL and NJ</li> <li>Penalties not allowed on loan amounts less than \$301,022 in PA</li> <li>Only declining prepayment penalty structures allowed in MS</li> </ul>

State / CBSA Overlay Table																																					
Statewide		Core Based Statistical Areas (CBSA) - Specific																																			
<table border="1"> <thead> <tr> <th>State Name</th> <th>State</th> </tr> </thead> <tbody> <tr><td>Connecticut</td><td>CT</td></tr> <tr><td>Idaho</td><td>ID</td></tr> <tr><td>Illinois</td><td>IL</td></tr> <tr><td>Louisiana</td><td>LA</td></tr> <tr><td>New Jersey</td><td>NJ</td></tr> <tr><td>New York</td><td>NY</td></tr> </tbody> </table>	State Name	State	Connecticut	CT	Idaho	ID	Illinois	IL	Louisiana	LA	New Jersey	NJ	New York	NY		<table border="1"> <thead> <tr> <th>State Name</th> <th>State</th> </tr> </thead> <tbody> <tr><td>Phoenix-Mesa-Scottsdale, AZ</td><td>38060</td></tr> <tr><td>Sacramento-Roseville, CA</td><td>40900</td></tr> <tr><td>San Francisco-Oakland-Hayward, CA</td><td>41860</td></tr> <tr><td>San Jose-Sunnyvale-Santa Clara, CA</td><td>41940</td></tr> <tr><td>Santa Cruz-Watsonville, CA</td><td>42100</td></tr> <tr><td>Boulder, CO</td><td>14500</td></tr> <tr><td>Breckenridge, CO</td><td>14720</td></tr> <tr><td>Sevierville, TN</td><td>42940</td></tr> <tr><td>Austin-Round Rock, TX</td><td>12420</td></tr> </tbody> </table>	State Name	State	Phoenix-Mesa-Scottsdale, AZ	38060	Sacramento-Roseville, CA	40900	San Francisco-Oakland-Hayward, CA	41860	San Jose-Sunnyvale-Santa Clara, CA	41940	Santa Cruz-Watsonville, CA	42100	Boulder, CO	14500	Breckenridge, CO	14720	Sevierville, TN	42940	Austin-Round Rock, TX	12420	
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Miscellaneous	
<b>Broker License Requirements by State</b>	<p>The following is a list of states where N2 Funding is licensed and does not require the Broker / Loan Officer to be licensed in order to submit DSCR Loans.</p> <ul style="list-style-type: none"> <li>Alabama</li> <li>Alaska</li> <li>Arkansas</li> <li>Colorado</li> <li>Connecticut</li> <li>Delaware</li> <li>District of Columbia</li> <li>Florida</li> <li>Georgia</li> <li>Illinois</li> <li>Indiana</li> <li>Kansas</li> <li>Kentucky</li> <li>Louisiana</li> <li>Maryland</li> <li>New Jersey</li> <li>Ohio</li> <li>Oklahoma</li> <li>Pennsylvania</li> <li>South Carolina</li> <li>Texas</li> <li>Washington</li> <li>Wisconsin</li> </ul> <p>NOTE: Any loans falling into this category must be submitted manually.</p>

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