

Underwriting Methods

All Spring EQ originated or purchased loans are manually underwritten. Regardless of the underwriting method, additional information may be requested at the discretion of the Underwriter.

- Borrowers or Guarantors are not required to disclose employment information on the application (Form 1003) and employment is not required to be verified.
- Personal income derived from regular employment, retirement or other investments should not be disclosed on the application and any related documentation including business and personal tax returns and transcripts are not required.
- The application should otherwise be fully completed including the Schedule of Real Estate Owned listing all properties owned with any associated mortgages (including private mortgages)

Debt Service Coverage Ratio Restrictions

Refer to Eligibility Matrix for CLTV limitations when DSCR is 0.75x to 0.99x

- The minimum DSCR is 0.75x
- Minimum DSCR for loan amounts greater than \$1,500,000 is 1.00x

Spring EQ Exclusionary List: LDP & SAM Lists

Spring EQ prohibits Mortgage Loans where any company or individuals who are material parties to the transaction are listed on HUD's Limited Denial of Participation (LDP) list, or the System for Award Management Excluded Party (SAM) list. Regardless of the reason for inclusion on the list, any Mortgage Loan is ineligible when a material party to the transaction is included on either list.

Eligibility Matrix

| FICO | Max Loan Amount | DSCR >/=1.00x | | DSCR 0.75x to 0.99x | |
|---------|-----------------|----------------------|----------|----------------------|----------|
| | | Rate/Term & Purchase | Cash Out | Rate/Term & Purchase | Cash Out |
| 740+ | \$2,500,000 | 80% | 75% | | |
| 700-739 | \$1,500,000 | 80% | 70% | 70% | 60% |
| 680-699 | \$1,500,000 | 75% | 65% | | |
| 660-679 | \$1,500,000 | 70% | 60% | | |

Product Terms

- Fixed Rate 30 years fully amortizing

Loan Amounts

- Minimum \$100,000
- Maximum: Refer to Eligibility Matrix

Cash Out

- Maximum cash out permitted: \$500,000
- Cash out is permitted to count towards minimum reserve requirement.

Maximum Exposure

- The maximum allowable loan exposure is limited to \$5,000,000 in aggregate to SEQ or Affiliates to each individual borrower.

DSCR Eligibility Criteria

Transaction must be used for commercial/business purposes

- Borrower must execute the Spring EQ Business Purpose and Occupancy Affidavit attesting to the loan is intended for business purposes and not for consumer or family use
- All transaction cash-out proceeds must be used for business purposes
- No Limit to the number of owned/financed properties
- Layered entities are not permitted
- First-time homebuyers are not permitted.
- High-Cost loans are not permitted.
- Vacant/Unleased properties are permitted with a 5% reduction to CLTV.
- Non-Permanent Residents are not permitted (borrowers or guarantors)
- Non-Arm's length transactions are not permitted
- Investment properties only
- Short-term rental income is not permitted.
- Existing Lease agreement(s): The existing lease must not include any provisions that could impact on the first lien position of the subject property.
- Borrower/Guarantor Experience:
 - **Experienced Investor**
 - An experienced residential investor is a borrower/guarantor having a history of owning and managing non-owner-occupied residential real estate for at least one (1) year in the last three (3) years.
 - Ownership of commercial income producing property may also be used as evidence of investor experience.
 - Ownership history can be documented for other REO with one of the following:
 - Mortgage history on credit report.
 - Property profile report
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)
 - **First Time Investor**
 - A first time investor is a borrower/guarantor with less than a 12-month history of owning investment properties within the past 36 months.
 - First Time Investor criteria:
 - 740 FICO, 1.5x DSCR, no lease in place needed, no 5% LTV reduction
 - 740 FICO, 1.0x DSCR, lease in place, no 5% LTV reduction
 - Otherwise, First Time Investor subject to 5% LTV reduction

Pre-Payment Penalty

Prepayment penalties are permitted as outlined below unless otherwise restricted by the state:

- No Prepayment Penalty Option
- 5-year PPP: 5%/4%/3%/2%/1%
- Prepayment penalties are prohibited in the following states: Minnesota, New Jersey, New Mexico, North Carolina, Kansas, Michigan, California, Pennsylvania, Ohio and Rhode Island.
 - For these states, loans must be locked and disclosed with "No Prepayment Penalty" selected

Ineligible States

- Alaska
- Hawaii
- North Dakota
- New York
- South Dakota
- West Virginia

Age of Documents

Expiration dates are determined by comparing the date of the document to the note date on the mortgage loan:

- Credit – 90 Calendar Days
- Title – 90 Calendar Days
- Appraisal – 120 Calendar Days
- Assets – 90 Calendar Days

Documentation Requirements

- Full interior appraisal (Form 1004, 1025, or 1073) with comparable rent schedule completed by a licensed appraiser.
- Evidence from a 3rd party confirming the number of years of experience is required.
 - Examples of 3rd party verification can include, not be limited to:
 - Credit report to evidence number of years owning subject property.
 - Letter from CPA or licensed insurance broker verifying the number of years owning/managing investment properties.
- For leased properties, the fully executed rental lease(s) is required, even if it is expired and the applicable tenants are renting month to month.
- For purchase transactions, the fully executed contract of sale and the proof & source of the down payment are required
- All Appraisal products will be ordered by Spring EQ
- Transferred Appraisals are not permitted

DSCR Calculation

Borrowers financing non-owner-occupied investment properties can qualify based on their ability to service the debt over the life of the loan. For Debt Service Coverage, property income is used to qualify the transaction. Debt Service Coverage is available to experienced Investors and First Time Investors for either purchasing or refinancing investment properties for business purposes.

The DSCR is calculated by taking the Annual Gross Rental Income for the subject property divided by the annual PITIA or ITIA for the subject property.

- Long Term Rental Income:
 - Rental income to be used will be based on the lower of 100% of the monthly market rent as indicated on the comparable rent schedule or the lease agreement provided.
 - If two appraisals are performed, the lower of the two property values and market rents will be used to qualify.
 - Using a higher amount based on lease agreement is permitted subject to the following:
 - Refinance transactions only.
 - Copy of the fully executed, unexpired lease(s) must be provided, and the lease agreement must be arm's length
 - Most recent 3 months evidence of receipt supporting monthly rents as indicated on lease.
 - Cannot exceed 115% of the market rent per the appraisal.
- Short Term Rental Income is not permitted

Social Security Number Validation

All borrowers must have a valid Social Security Number (SSN). Individual Taxpayer Identification (ITIN) is not permitted. Any SSN issues (including number not issued, age obtained, or year issued alerts, number associated with deceased individuals, date of birth variation, etc.) identified by the credit report, fraud report or other documentation will have to be researched further at the discretion of the underwriter.

Eligible Borrowers or Guarantors

U.S. Citizen:

- The Borrower must be a citizen of the United States or of a U.S. Possession or Territory

Permanent Resident:

- A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card (form I-551). Document legal residency with one of the following:
 - A valid and current Permanent Resident card (form I-551); OR
 - A passport stamped "processed for I-551," "temporary evidence of lawful admission for permanent residence," "valid until _____," and "employment authorized." This evidence is that the holder has been approved for, but not issued, a Permanent Resident card (form I-551).

Business Entities

- Lending to business entities is permitted subject to the following documentation and requirements:
 - Documentation:
 - Personal Guarantee is only required if lending to a business. When lending to an individual, who is only vesting in a business, there is no personal guarantee needed
 - Loan Application
 - Income/Employment section should not be completed
 - Completed for each member of the Entity providing a guaranty. **Must be signed by the individual.**
 - "Title will be held in what Name(s)" should be completed with only the entity name.
 - Articles of Organization - Used to determine the state of organization, the exact LLC name, and identify managing members. ARTICLES OF ORGANIZATION / ARTICLES OF INCORPORATION/CERTIFICATE OF FORMATION **Filed, copied, stamped and dated**
 - Note: Combine SOS Search Results and Cert of Good Standing "Should read as follows CERTIFICATE OF GOOD STANDING OR SOS SEARCH RESULTS" Must be active or in good standing and dated within 30 days of closing. <https://www.e-secretaryofstate.com/>
 - Operating Agreement - Confirms that the manager or managing members have the authority to sign the loan documents and/or agreements.
 - Executed W-9 and/or EIN.
 - Evidence of signing authority for the Guarantor(s) signing
 - Requirements:
 - Guarantors must represent a minimum of 50% ownership (Ex if an LLC has 4 members with 25% ownership, at least two must be guarantors on the proposed transaction)
 - Max 4 members from an LLC are permitted as guarantors
 - SOS Search results - Search state identified in the Articles of Organization to confirm the LLC is in good standing and to identify managing members and ensure they align with the borrowers/guarantors.
 - Operating Agreement - Confirms that the manager or managing members have the authority to sign the loan documents and/or agreements.
 - Certificate of good standing - Confirms standing within 30 days of closing.
 - Executed W-9 and/or EIN.
 - Evidence of signing authority for the Guarantor(s) signing
 - Personal Guarantors must meet the credit requirements the same as if they were non-entity borrowers.

Ineligible Borrowers or Guarantors

- Non-Permanent Resident Aliens/Foreign Nationals: A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time periods under the terms of a visa. A non-permanent resident status may or may not permit employment. Non-Permanent Residents are eligible under the same terms as US citizens.
- Persons or entities with diplomatic immunity as defined by US Citizenship and Immigration Services (USCIS)
- Persons or entities sanctioned by OFAC or from sanctioned countries: <https://sanctionssearch.ofac.treas.gov/>.
- 501(c)(3) Organizations
- Persons or entities whose income derives from a business that is federally illegal.
- Trusts (Irrevocable, Land and Blind Trusts) or business entities whose members include other LLCs, Corporations, Partnerships, or Trusts
- Guardianships
- Non Arm's length Transactions
- Persons or entities party to a lawsuit
- Persons with an ITIN

Ownership

Eligible Ownership Interests:

- Fee Simple

Ineligible Ownership Interests:

- Life Estates
- Leasehold Estate

Eligible Title Vesting and Ownership

Acceptable forms of vesting are:

- Individuals
- Joint Tenants
- Tenants in Common
- Inter-Vivos Revocable Trust, Living Family Trust and Revocable Family Trust
- Limited Liability Company (LLC)
- Limited and General Partnerships
- Corporations

Vesting in a business entity for a Business Purpose Loan is permitted on an INVESTMENT property only with the following requirements:

- Entity must be domiciled in a U.S. state.
- Business structure is limited to a maximum of four (4) owners/ members.
- Personal Guarantee is required if lending to a business entity. When lending to an individual, where the subject property is vested in a business entity, there is no personal guarantee required.
- Each Entity member on the loan must sign the security instruments.
- A minimum of 50% of the vesting business entity ownership must be represented as borrowers or guarantors on the loan

The following documentation must be provided for each business type:

- Limited Liability Company (LLC)
 - Entity Articles of Organization, Partnership, and Operating Agreements as required.
 - Tax Identification Number (Employer Identification Number – EIN).
 - Certificate of Good Standing.
 - Certificate of Authorization for the person executing all documents on behalf of the Entity.
 - LLC Borrowing Certificate required when all owners/members are not on the loan.
- Limited and General Partnerships
 - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required).
 - Partnership Agreement (and all Amendments).
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered).
 - Tax Identification Number (EIN).
 - Limited partner consents (where required by partnership agreement).
- Corporations
 - Filed Certificate/Articles of Incorporation (including all Amendments).
 - By-Laws (including all Amendments).
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated).
 - Tax Identification Number (EIN).
 - Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation

Properties Titled in a Trust

When using a fully executed trust agreement, it must clearly identify all of the following

- The trust was established by a natural person(s) during the lifetime of the individual establishing the trust, to be effective during the natural person's lifetime.
- The primary Beneficiary(ies) of the trust must be the individual(s) who established the trust***. The individual establishing the trust is often referred to as either Grantor(s) or Settlor(s)
- Income or assets of at least one of the individuals(s) establishing the trust are used to qualify for the mortgage loan (For loans with multiple trusts, income, or assets from at least one individual from at least one trust must be used)
- The trust appoints trustees to hold legal title to and manage the property that has been placed in the trust.
- The Trustee(s) must include either of: (a) at least one of the individual(s) who established the trust (most common)***; or (b) an institutional trustee that customarily performs trust functions and is authorized to act as trustee under the laws of the relevant state (not as common)
- The powers of the Trustee(s) must expressly include the powers to borrower money and to pledge/mortgage/encumber trust property as security.
 - NOTE: A trust agreement's reference to trustee powers granted by state law or regulation is permitted. The trustee agreement must include a clear reference to the statute or regulation in question, and the statute or regulation must be reviewed to confirm that the required powers are expressly granted to trustees.
- The individual(s) who established the trust must have the right to revoke or alter the trust at any time and for any reason during his or her lifetime. This is known as an "inter vivos revocable trust."
- The trust agreement must be fully executed (signature page is required)
- Any title insurance commitment must not list any exceptions arising from trust ownership of the property.

*** If a Grantor/Trustee is deceased or otherwise unable to serve as trustee as provided by the terms of the trust, and a Successor Trustee has been appointed in accordance with the terms of the trust, the Successor Trustee is permitted to be a borrower on the loan so long as the Successor Trustee is also the beneficiary. Evidence that the original Grantor/Trustee is no longer servicing as trustee, such as a death certificate, must be obtained.

When using a fully executed certification of trust, all of the following applies:

- Must identify:
 - Name of Trust
 - Date of Creation
 - Governing Law (can also be known as state specific code)
 - Identities of persons creating the trust and servicing as trustee(s)
 - Powers of trustees to borrower money and to pledge/mortgage/encumber the trust property as security.
 - If there are multiple trustees, how many trustees are required to exercise the trustee powers.
 - Revocable nature of the trust
- All Trustees must execute certification; the certification signature page required.
- Attorney-prepared trust certifications are permitted.

NOTE: Neither a Non-Borrowing Title-Holder nor a Non-Borrowing Spouse is considered a Borrower, but each may be entitled to certain disclosures and required to sign certain closing documents. A Non-Borrowing Title Holder is a non-borrower who holds title to the property. A Non-Borrowing Spouse is the Borrower's spouse and may or may not be on title. Non-Borrowing Title Holders and Non-Borrowing Spouses are not required to sign the promissory note or home equity line of credit agreement and disclosure statement; however, each is required to sign the security instrument and other truth in lending disclosures. Exceptions may apply with regard to non-borrowing spouses who are not on title, as permitted under state law and authorized by the Compliance Department.

Transaction Types**Eligible Transaction Types**

- Purchase Money transactions
- Rate/Term Refinance transactions
- Cash-Out Transactions

Ineligible Transaction Types:

- Non-arm's length transactions
- Land Contracts
- Lease with option to purchase
- Assumable
- Construction to Permanent
- Builder Bailout
- Conversion Loans
- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loan Periodic Payment - Loans must have periodic payments due and loans can't have more than 3 monthly.
- Payments paid in advance from the proceeds of the mortgage loan.

Subordinate Financing

- Not permitted with the exception of Solar related liens
- For PACE lending programs, refer to the Fannie Mae selling guide

Senior Lien Terms

- Balloon mortgages may be eligible for refinance under DSCR programs provided the loan is in an active repayment period and has a minimum of twelve (12) months of documented, timely payment history.

Power of Attorney

- A Power of Attorney is allowed under the following terms:
 - US Citizen or Permanent Residents
 - Not allowed if vesting into LLC, General Partnership or Corporation
 - Power of Attorney must be transaction specific and has subject property address.
 - Purchase or Rate/term Refinance transactions.
 - Not eligible for cash-out transactions
 - Must be recorded with the Mortgage/Deed of Trust
 - Must contain an expiration date.
 - May be used to execute the final loan documents only.
 - Borrower who executed the POA signed the initial FNMA Form 1003
 - An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney Escrow Holdbacks: Not Permitted

Credit

This section outlines Spring EQ's credit requirements that apply to all Mortgage Loan Programs. Generally, requirements that vary from one Mortgage Loan Program to another are described in the Spring EQ Lending Matrices and, in most cases, those program-specific differences will not be referenced in this section.

Credit Report Requirements

- All accounts, revolving and installment, reported by the Borrower or Guarantor on the application must be verified in the credit report or directly by credit reference. The current balance, current account status, rating, monthly payment amount, and payment history for the most recent 12 months must be provided.
- The credit report used to evaluate a Mortgage Loan may not have Frozen Credit. If a Borrower unfreezes his or her credit after the date that the original credit report was ordered, a new credit report must be obtained to reflect current updated information from all applicable repositories. Non-traditional credit is not acceptable as a replacement for Frozen Credit.
- All credit reports must include FACT Act messages and at least one repository fraud alert product (Hawk Alert, FACS+ or SafeScan).
- When the credit report shows a victim statement under the FACT Act, the Originator must document in writing the steps taken to validate the Mortgage Loan Application is not the result of identity theft. The actions must be reasonable and compliant with applicable laws.
- Credit report alerts must be reasonably resolved with supporting documentation included in the Mortgage Loan File. Although due diligence is required, it does not release the Originator from its representations and warranties regarding misrepresentation.
- Non-Traditional Credit Report
 - Non-traditional credit reports are not acceptable.
- Foreign Credit:
 - A Credit Score is required and therefore foreign credit is not acceptable.

Selection and Validation of Credit Score

Agencies providing credit scores are limited to Experian, Equifax, and Transunion. At least 2 scores must be provided for all borrowers and guarantors.

Loan Qualification Score

The qualification score used to determine eligibility will be based on the middle of 3 scores should be used or lower of 2 scores in cases where only two are provided. When there are multiple borrowers/guarantors, the lowest qualification score will be used.

Tradeline Requirements

All Mortgage Loans require a Credit Score based on a minimum credit history and tradeline requirements. The credit report must show ONE of the following:

- Minimum of three tradelines regardless of timeline with at least one of the trading lines being open with a date of the last activity within 6 months from the current date and reporting for at least the past 12 months; OR
- A current mortgage paid as agreed for the past 24 months.
- Authorized user accounts may not be used to satisfy the tradeline requirements.
- Active trading lines are defined by the date of the last activity on the account within 6 months from the current date.

Inquiries and Undisclosed Liabilities

Written explanation for credit inquiries is not required for DSCR

Payment History

Review the credit report to determine the status of each credit account, including mortgages, the timeliness of payments, and the frequency, recency, and severity of any delinquent payments.

Housing Payment History (All Real Estate Owned)

- Max mortgage lates and housing history requirements vary by product type. When the date of last activity (DLA) on a mortgage rating as shown on the credit report or the most recent mortgage statement is within 45 calendar days of the credit report date ("Date Ordered") and the rating covers the most recent 12 months or the number of months available since the property was acquired (within the last 2 years), no additional documentation is necessary. If these requirements are not satisfied, the mortgage payment history must be updated through a credit supplement, verification of mortgage, mortgage statement(s) AND/OR cancelled checks.
- Mortgage payment is considered current if it is paid within the month.
- Payment history on any real estate owned, regardless of occupancy, is considered mortgage credit. Payment histories on all mortgage tradelines, including first and second mortgage liens, HELOCs, Mobile Homes, and Manufactured Homes are considered mortgage credit, even if reported as an installment loan.
- Max 0x30x12 and 0x60x24

Significant Derogatory Credit

- The presence of significant derogatory credit dramatically increases the likelihood of a future default and represents a significantly higher level of default risk. Examples of significant derogatory credit include bankruptcies, deeds-in-lieu, foreclosures, and short sales.
- For Borrowers with a history of past significant derogatory credit, determine the cause and significance of the derogatory information, verify that sufficient time has elapsed since the date of the last derogatory information and confirm that the Borrower has reestablished an acceptable credit history.
- Bankruptcy/Foreclosure/Short Sale/Deed in Lieu/Modification Seasoning: 4 years and credit must be re-established.

Major Adverse Credit

- Collections 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 closing.
- All State, IRS, and property tax liens for the Mortgaged Property and other properties), regardless of seasoning, are required to be paid in full whether or not they currently affect title. No payment plans, or subordination is allowed.

AssetsEligible assets:

The following is a list of established assets that can be used to determine a borrower's liquidity. Next to each asset is the value that may be used.

- Checking and Savings (100%)
- Certificates of Deposit (100%)
- U.S. Savings Bonds (100% if fully matured, otherwise 80%)
- Marketable Securities (100% of vested account value, margin not counted towards balance) - Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.
- IRA, Keogh, and 401(K) Retirement Accounts (70% of the vested balance may be considered for assets)
- Pension Plans (70%) - Only amounts accessible within a 30-day window are allowed. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.
- Annuities (70%) - Only amounts accessible within a 30-day window are allowed.
- Assets held in a Trust require the following:
 - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
 - Document the conditions under which the borrower has access to the funds.
- Business accounts may be considered for assets.
 - The borrower must own the business contributing the closing funds. Verification of business deposit accounts such as checking, savings, certificate of deposit, and money market accounts must include the following documentation:
 - Copy of the borrower's one (1) most recent bank statement for Business Purpose loans – the account(s) in which the funds for the down payment are to be withdrawn.
 - CPA letter verifying the withdrawing of funds does not affect business operations.
 - Letter from business partners confirming the borrower can use funds for closing.
- Cash Value of Life Insurance

Ineligible assets:

- Non-regulated Financial assets (eg. Crypto Currency)
- 1031 Exchange funds
- Restricted Stock Units (RSU)
- Spousal accounts

Verification of Assets:

- Assets Statements must cover account activity for the most recent 30-day period for a purchase or refinance (or, if account information is reported every quarter, for the most recent quarter) and contain all pages.
 - May use any of the following for asset verification:
 - Verification of Deposit/VOD completed by the verifying financial institution (FNMA Form 1006) or equivalent
 - Large deposits do not need to be sourced on DSCR loans.
 - Complete copies of bank statements or investment portfolio statements from the most recent 30 days prior to the application date. The summary statement is not acceptable.
- The statements may be computer generated forms and must include or state the following:
 - The borrower as the account holder
 - The account number(s)
 - The timeframe the statement(s) cover
 - All deposits and withdrawal transactions
 - The previous close balance, the current balance, and the ending account balance
 - Retirement account statements must be from the most recent period and show the borrower's vested amount and terms.

Gift Funds

- Gift funds are eligible after a borrower's minimum contribution of 10% from their own funds
 - Gift funds allowed with the following restrictions:
 - The gifts may be from 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 Fiancée, or domestic partner.
 - Gift funds Limited to 10% of the purchase price
 - Gift funds may be used towards down payment and closing costs (Gift funds are not allowed to be used for reserves)
 - Allowed on Purchase transactions only
 - Gift funds documentation:
 - Signed gift letter to clearly identify:
 - Name, address, phone number, relationship of donor which clearly states that no repayment is expected
 - Dollar amount and date funds were transferred
 - Evidence of receipt of gift funds

Reserves

Minimum reserves from an eligible source are calculated from the proposed housing expense for the subject property only (monthly (PITIA or ITIA)

- Required reserves:
 - Loan amount <= \$1,500,000: Minimum 3 months reserves are required
 - Loan amount >\$1,500,000: Minimum 6 Months is required.
 - Additional 3 months reserves are required for DSCR <1.00x

Cash to Close

- For non-Cash-out Mortgage Loans, asset documentation is required to evidence that the Borrower has sufficient funds to Close the transaction and meet the applicable reserves requirement.
- All cash to close and the applicable reserves requirement must be documented and verified.

Seller Concession

- All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.
- Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
- A borrower participating in the transaction (i.e., borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above.
- Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements.
- Max 6% contribution calculated based on the lesser of the sales price or appraised value.

Property/Valuation Requirements

- A Full Interior Appraisal (1004/1025/1073) is required and must be completed by a licensed appraiser who must access the property's interior and exterior for a complete property evaluation and must include the comparable rent schedule. The report should accurately reflect the market value, condition, and marketability of the property along with the appraiser certifying all information contained in the report is in compliance with Appraiser Independence Requirements (AIR), Uniform Appraisal Dataset (UAD) and Uniform Collateral Data Portal (UCDP). The appraiser should also provide an objective and unbiased opinion of market value and report any unfavorable conditions.
- Second Full appraisal is required when loan amount is greater than \$1,500,000.

Value Seasoning

If the subject property is purchased within the last 6 months, the lesser of the current appraised value or the most recent purchase price + documented improvements should be used as the origination value.

Secondary Valuation Requirements

- One of the following secondary valuation products is required to be no more than 10% below the appraised value:
 - Clear Cap AVM with FSD Score <= 0.13
 - Desk Review /Collateral Desktop Analysis (CDA)
 - Drive By Hybrid appraisal or Field Review
 - Full 2nd appraisal is required when loan amount exceeds \$1,500,000

Declining Market

Declining markets are permitted with an additional 5% CLTV reduction.

Properties Listed for Sale

Evidence is required that the property was removed from the market prior to application.

Property Eligibility

- Eligible Properties:
 - Single family homes (Detached and Attached)
 - 2-4 family homes
 - PUDs
 - Condo units in Warrantable condo projects
- Ineligible Properties:
 - Properties with greater than 4 Units
 - Properties with gross living area less than 600 square feet
 - Manufactured homes
 - This includes on-frame modular homes built on a permanent chassis.
 - Ineligible even if titled as real property (permanently affixed)
 - Manufactured homes are eligible as Accessory Units if they meet the requirements in the Fannie Mae Selling Guide (Section 5601.2) and are not given any value by the appraiser.
 - Mobile Homes
 - Cooperatives
 - Condotels/Hotel Condominiums
 - Condo's requiring full legal review (Non-warrantable Condo projects)
 - Timeshares
 - Working Farms and Ranches
 - Unimproved Land
 - Property currently in litigation
 - Land Trust
 - Condition Rating of C5/C6 or a Quality Rating of Q6
 - Land Contracts
 - Leaseholds
 - Rural Properties
 - Greater than 5 Acres
 - Mixed use properties
 - Homes used for commercial purposes (assisted living, daycare as examples)
 - Properties located on federal and state Indian reservations.
 - Log Homes
 - Houseboats
 - Geodesic Domes
 - Commercial Properties
 - Properties Under Construction
 - Properties are not readily accessible by roads that meet local standards.
 - Properties not suitable for year-round occupancy, regardless of location
 - Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
- Flip Transactions:
 - When the subject property is being resold within 180 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a "flip". To determine the 180-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used.
 - Flip transactions are subject to the following requirements
 - All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
 - No pattern of previous flipping activity may have existed in the last 6 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
 - The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing
 - If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.
 - Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at <https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/higher-priced-mortgage-loans-appraisal-rule/>
 - A second full appraisal is required in the following circumstances:
 - Greater than 10% increase in sales price if seller acquired the property in the past 90 days.
 - Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days

Unacceptable Appraisal Practice

The following are examples of unacceptable appraisal practices:

- Development of a valuation conclusion based either partially or completely on the race, color, or national origin of either the prospective owners or occupants of the Mortgaged Property or of the present owners or occupants of the properties in the vicinity of the Mortgaged Property
- Development and/or reporting an opinion of market value that is not supportable by market data or is misleading.
- Development of a valuation conclusion based on factors that local, state, or federal law designate as discriminatory, and thus prohibited.
- Misrepresentation of the physical characteristics of the Mortgaged Property, improvements, or comparable sales
- Failure to comment on negative factors with respect to the subject neighborhood, Mortgaged Property, or proximity of the Mortgaged Property to adverse influences.
- Failure to adequately analyze and report any current contract of sale, option, offering, or listing of the Mortgaged Property and the prior sales of the Mortgaged Property and the comparable sales.
- Selection and use of inappropriate comparable sales
- Failure to use comparable sales that are locationally and physically similar to the Mortgaged Property
- Creation or use of comparable sales in the valuation process when the appraiser has not personally inspected the exterior of the comparable property.
- Use of adjustments to the comparable sales not reflective of the market's reaction to the differences between the Mortgaged Property and the comparable sales
- Not supporting adjustments in the sales comparison approach
- Failure to make adjustments when they are clearly indicated.
- Use of data, particularly comparable sales data, provided by parties who have a financial interest in the sale or financing of the Mortgaged Property without the appraiser's verification of the information from a disinterested source.
- Development on an appraisal or reporting an appraisal in a manner or direction that favors the cause of either the Originator or any related party, the amount of the opinion of value, the attainment of a specific result, or the occurrence of a subsequent event in order to receive compensation and/or employment for performing the appraisal and/or in anticipation of receiving future assignments
- Development of and/or reporting an appraisal in a manner that is inconsistent with the requirements of the Uniform Standards of Professional Appraisal Practice in place as the effective date of the appraisal.
- Failure to address and note adverse factors or conditions that affect value or marketability with respect to the neighborhood, site, or improvements.
- Use of unsupported descriptive comments or drawing unsupported conclusions from subjective observations. These actions may have a discriminatory effect.
- Use of unsupported assumptions, interjections of personal opinion, or perceptions about factors in the valuation process. These actions may have a discriminatory effect and may or may not affect the use and value of a property.
- Use of unacceptable terminology including but not limited to:
 - Pride of ownership, no pride of ownership, and lack of pride of ownership
 - Poor neighborhood
 - Good neighborhood
 - Crime-ridden area
 - Desirable neighborhood or location and
 - Undesirable neighborhood or location

Other subjective terminology that can result in erroneous conclusions is equally unacceptable.

FEMA Disaster Area

If the subject property is located in a FEMA declared major disaster area (published by FEMA) where individual assistance was granted, one of the following is required:

- Collateral valuation (completed by a Spring EQ vendor) after the disaster incident period end date OR
- Post disaster inspection confirming the property was not adversely affected by the disaster.

Condominium Projects

- UW Attestation and/or documentation clearly stating whether the project review completed resulted in condo being determined as warrantable or non-warrantable must be delivered with the file.
- If an approved Fannie Mae's Condo Project Manager (CPM) report is provided, a lender HOA questionnaire is not required.
- FNMA eligible warrantable projects are permitted. Site Condos meeting the FNMA definition are eligible for single-family dwelling LTV/CLTV. Condominium Insurance Requirements: refer to Fannie Mae Selling Guide

Homeowners Insurance/Flood Insurance

- Refer to the Fannie Mae selling guide
- In addition to Fannie Mae requirements, rent loss insurance for the subject property is required to be greater than or equal to 6 months of local average monthly rents.

Title Review and Insurance Requirements

Refer to the Fannie Mae selling guide

Mortgagee Clause

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